THE MAGAZINE OF WALL STREET

FEBRUARY 18, 1933

Changing Market Trend?

By A. T. MILLER

Mortgage Debts Approach the Crisis

By THEODORE M. KNAPPEN

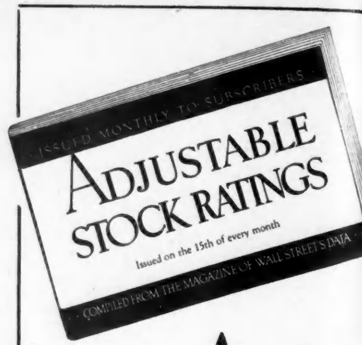
1933 Dividend Forecast

Part II—Leading Industrials

C. G. Wyckoff
PUBLISHER

VOL. 51 — No. 9

PRICE 35 CENTS



ISSUED MONTHLY TO SUBSCRIBERS
ADJUSTABLE STOCK RATINGS
Issued on the 15th of every month
COMPILED FROM THE MAGAZINE OF WALL STREET'S DATA

Member of Audit Bureau of Circulations

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Vol. 51 No. 9 February 18, 1933

The Ticker Publishing Co. is affiliated with no other organization or institution whatever. It publishes only The Magazine of Wall Street, issued bi-weekly, Adjustable Stock Ratings, issued monthly and the Investment and Business Forecast, issued weekly.

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ADVERTISING REPRESENTATIVES—Pacific Coast, Simpson-Reilly, Bendix Building, 1206 Maple Avenue, Los Angeles, Russ Building, San Francisco.

SUBSCRIPTION PRICE—$7.50 a year in advance. Foreign and Canadian $8.50. Please send International Money order or U. S. Currency.

TO CHANGE ADDRESS—Write us name and old address in full, new address in full and get notice to us three weeks before you desire magazine sent to the new address.

EUROPEAN REPRESENTATIVES—International News Co., Ltd., Breams Bldg., London. E. C. 4, England.

Cable Address—Tickerpub.

WITH THE EDITORS

If Inflation Comes

THOSE who sell equipment to some of the heavy manufacturing industries report a very different attitude among their customers today than that which prevailed a year ago. In place of extreme caution and conservation of funds there are increasing signs of a willingness to purchase new machinery or modern equipment wherever there is a likelihood of cutting costs. There is also the realization that in the event of business recovery, or if currency inflation becomes an actuality, such equipment would cost more. The manager of the real estate department of a chain store enterprise reports the recent acquisition of several million dollars' worth of favorable locations and the intention to continue real estate purchases with the idea of not only taking advantage of current low prices but also in anticipation of currency inflation. Among individuals a similar tendency is notable and those who have ready funds are purchasers in numerous foreclosure sales.

These signs are indications of the tendency to convert money into goods or property which commonly prevails when currency is inflated. So far, of course, such an urge springs not from inflation itself but from the welter of discussion and proposals in Congress. We frequently receive letters with the query "What shall I do to protect myself against inflation?" It is impossible to give a specific answer when no one knows what form inflation will take, if it ever actually comes, and whether it will bring about the results which are expected of it. There is at least the possibility, if not the probability, that the first reaction to inflation by law would be deflation in fact. On the other hand, the latter stages of inflation once it "takes" are associated with rapidly ascending prices. On this latter basis there may be some advantage to be derived from the acquisition of lasting property, which may conceivably be enhanced in value by this process or through a natural business recovery. Such property may, of course, take many forms such as real estate, enduring household effects, personal possessions or stocks. All of these have their place. The last named have simply the advantage of the greatest liquidity. Two things should be born in mind in this connection, however; the first is that, in our opinion, there is no necessity for any action at present. Inflation would not be immediately effective even after it was decreed. Secondly not all common stocks would be affected by inflation in the same manner. Those in industries where rates are more or less fixed, such as the public utilities, and in some degree the railroads, would suffer. On the other hand numerous manufacturing companies would profit by a generally rising price trend.

It may be reasoned that if common stocks of this latter variety are acquired and inflation does not come at least there are prospects of ultimate appeciation in value with general improvement in the business situation. On the other hand, if currency inflation does materialize and become effective they should be among the most susceptible to an increase in value.

For those who are apprehensive concerning the effects of inflation and would be willing in any case to retain their commitments over a considerable period of time regardless of intermediate fluctuations, consideration should be given, when the time comes to the common shares of selected companies, preferably those which have demonstrated a fairly satisfactory measure of earning power during three years of adversity.

In the Next Issue

Forecasting the New Government's Money Policy

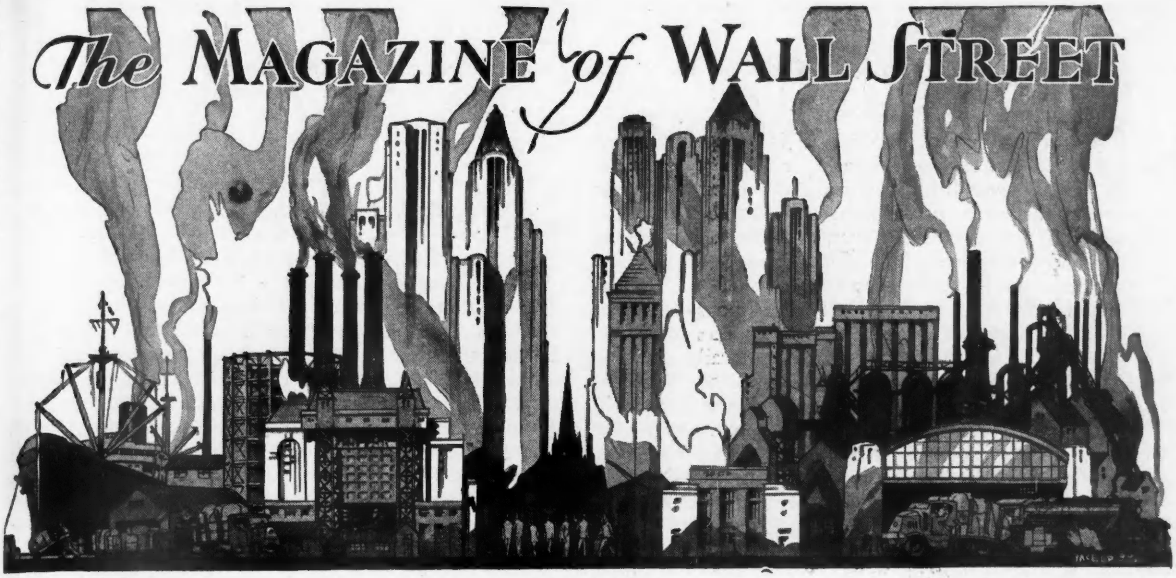
By THEODORE M. KNAPPEN

The new administration's platform calls for a maintenance of sound money; yet Federal expenditures and governmental relief will no doubt necessitate continued heavy borrowing. How will this paradox be solved? Nothing has yet been announced but there is only one procedure which the President-elect can safely follow. This policy will have profound effects throughout the business and investment world.

Rates — Regulation — and Capitalization

What the Solution of These Problems Means to Public Utility Investors.

Opportunities in Companies That Have Maintained a Good Earnings Record — After Three Years of Depression



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The Trend of Events

—A Controversial Conference

—Mutual Employment of the Jobless

—Reorganization Impending?

—Cut Out Tax Exempts

—Lower Rail Rates?

—The Market Prospect

A CONTROVERSIAL CONFERENCE

THE program drafted by the delegated economic experts for the coming International Economic Conference reads like a challenge to the United States. All the major proposals run counter to our traditional views and practices or to public opinion—with one exception.

Here are some of the concessions we are required to make if the conference shall accomplish results: Freely and cordially part with much of our monetary gold stock, substantially forget the war debts, encourage imports of foreign goods, resume foreign financing, lower our tariffs. These are the prices we are called upon to pay for world-wide resumption of the gold standard and the realization of the concommitant conditions of stabilization of international trade and finance. The salient concession required of other countries is the implicit abandonment of the foreign trade advantages some thirty of them now have because of the depreciation of their currencies.

The conference will mean essentially that the United States will be called upon to make the great decision between world economy or nationalistic economy. We shall have, in a nutshell, to decide whether we shall follow the normal course of a creditor nation or shall endeavor more and more to make our own national economy self-sufficient. Historically, we have always viewed imports with suspicion—as a necessary evil. If carried to its logical conclusion our policy would have us export for monetary consideration only. Now we are told, in effect, that this policy and the restoration of the gold standard are absolutely incompatible. We can't restore gold as a standard and a medium of facilitation of international trade and continue to amass it.

We have no fault to find with the experts. It was their prescriptive duty to view a conference on world economics from the world standpoint. We merely wish to point out that the adoption of such a standpoint by the American delegation will encounter difficulties that will probably be insuperable because in conflict with historic policies and objectives of the United States. It will take more than one conference and a still more convincing demonstration than current events have provided of the inevitability of realignment of our economic relations with the outer world before we will be willing to concede that we must steer the national course as part of that of an international trade fleet. The march of events may educate or force us to that decision but it can hardly be reached in a few months—even in this fourth year of depression.

MUTUAL EMPLOYMENT OF THE JOBLESS

FROM the standpoint of common sense the breakdown or curtailment of business is about the silliest exhibition this silly world has ever given. The world is full as never before of insistent economic demand and of the means of supplying it. People want more and can have more than ever, and they are receiving less and giving less. The world abounds in the substance of wealth and seeths with need of it. Owners would give their souls to sell their goods for other goods and services and the highest ambition of workless millions is to buy. We have practically excluded 12,000,000 people and their dependents from the national economic circle, and yet a growing population has always been esteemed the very cornerstone of abounding prosperity. Now parts of this ostracized segment of our population are giving us a sardonic demonstration of our asininity. Through direct barter and scrip, they who were denied work in the normal way and were deprived of purchasing power are to an important extent employing each other and buying from themselves. Being denied access to regular money as their medium of exchange they have created their own. Yet they had far greater buying power and social efficiency before they were cast out because society couldn't keep its economic machine going full time, although they were competent to pay their own way and more. If a foreign power should undertake to annex a territory inhabited by one-fifth of our people and cut us off from all commercial relations with it we would fight as we never have fought before. But for the time being we face substantially the same condition—except that we are spending hundreds of millions of dollars to support the economic expatriates. It doesn't make sense.

PYRAMID REORGANIZATION IMPENDING?

IT would not be surprising if certain recent publicity, attributed to the inspiration of J. P. Morgan & Co., professing to be about reorganization of the Missouri Pacific, but dwelling largely on the entire Van Sweringen interest, should turn out to be an intimation that the whole rather than the part is the objective. It is only a matter of time until public opinion and legislation will unite to bring about an untangling of the absurd tangles which have scrambled operating and holding companies of various kinds. Responsibility is divided and obscured and extraneous interests and ambitions tend to dominate over the faithful integral administration of particular properties. The Van Sweringen amalgamation is generally cited as the classic example of involved complexity of ownership and control. Simplification might somewhat eclipse the renown of the able brothers, whose course during the present time of trial has added to the luster of their reputations, but we see no ground for fear that it would impair the actual interests of shareholders or destroy values that have been attained through the numerous affiliations which have resulted from their talents for organization and administration.

CUT OUT THE TAX EXEMPTS!

THERE can be no two views regarding the essential immorality of the exemption of Government securities from taxation. Billions and billions of the securest form of wealth we know escape all taxation, and thereby add to the tax burdens of millions of people whose wealth is insecure and their incomes both reduced and precarious. Not only that but a safe and idle retreat is offered to capital at a time when the premium, if any, ought to be on its active use. We are in full sympathy with Senator Hull's proposal for a Constitutional amendment to correct this crying evil. Amending the Constitution is a slow business. It will be a long time before the tax exempts will cease to be exempt. That disposes of the argument that the abolition of tax exemption would impede municipal financing at a time when it is already difficult enough. But when an evil is most onerous is the time to rally public opinion to its extinction.

LOWER RAIL RATES?

SEVERAL national industrial associations have appealed to the Interstate Commerce Commission for a reduction of freight rates on their products. They allege that the current emergency super-rates are unjustifiable, because industries suffering even more from the depression than the railways are called upon to help the latter. They even maintain that lower instead of increased rates is the way to swell railway revenues. And they advance the broad economic argument that business recovery is delayed by the resistance of transportation charges to the natural cure of equalization of prices, which is making tremendous headway in so many other fields. Everybody else is convinced or on the way to be convinced that 1929 prices can not get the business in 1933. It will not suffice for the railways to point to their fixed financial and operating costs. They have a way out now, through receivership reorganization, and pending legislation in Congress will make that way easier and of good repute. This country is rapidly getting to the point where it does not worry about the name when the fact is accomplished. A busted railway is none the less busted because it has not yet confessed the fact. Better, of course, if it can pull through,—but what about lower rates as a means of pulling through?

THE MARKET PROSPECT

OUR most recent investment advice will be found in the discussion of the prospective trend of the market on page 466. The counsel embodied in this feature should be considered in connection with all investment suggestions elsewhere in this issue. Monday, February 13, 1933.

As I See It — By Charles Benedict

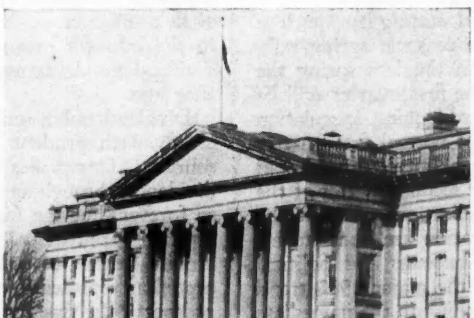
Can We Borrow Our Way Out?

MUCH has been said of the necessity of balancing the Federal budget but there is as yet no evidence that the real signficance and ultimate implications of this problem are understood either by Congress or the American public. Certainly there is no really effective agitation for a prompt and sound solution. We find, for example, as outstanding a leader as Senator Borah publicly asserting his doubt both as to the nation's ability to balance the budget and as to the advantage of so doing.

Meanwhile the persistent excess of Federal expenditures over revenues runs on at scarcely checked rate and in three years the Federal debt has increased by more than 5 billions of dollars. These results are not the fruit of clear and deliberate policy but of aimless drift, vacillation and uncertainty; and therein lies much of the danger. The time has come for confusion to be cleared away and for a decision to be made as to more permanent Federal financing policies. Whatever those policies may prove to be, what stands out in the present situation is that the prevailing uncertainty surrounding the entire Federal fiscal program is a serious weight upon the confidence and initiative of private finance and industry.

The credit of the Federal Government is the keystone in the arch of all credit confidence. The soundness of its management is of incalculable importance in relation to private banking and investment policy. In the existing fiscal situation there is obviously an element of artificiality. The cumulative 5-billion-dollar deficit of the last three years has been made up by borrowing; but on what basis? Private investors have not put surplus funds into an additional 5 billions of Government bonds offered at fair and attractive rates. The load has been foisted upon a sorely strained banking structure, virtually entirely in the form of short-term issues, at rates which yield these banks a trifling, almost negligible, return.

The emergency nature and abnormality of this policy is plainly indicated by the fact that at present the member banks of the Federal Reserve System have approximately 22 cents out of every $1 of deposits invested in United States Government obligations, in comparison with 11 cents only two years ago. Obviously, such Federal Treasury absorption of commercial banking resources can not go on indefinitely, for it would bring us to the absurdity of a banking system engaged almost exclusively in lending the funds of depositors to the Government at entirely inadequate interest rates. Who can say where the practicable limit is? Some bankers think it already has been reached and some banks plainly are averse to further heavy purchases of Government securities. As a matter of fact, the commercial banks during the last three months have virtually failed to make any increase in their purchase of Governments.



The U. S. Treasury Building

Sound policy calls for a halt in this abnormal volume of short-term financing. It also calls for a large refunding operation in which a substantial proportion of existing Federal debt can be transferred to private and fiduciary investors in the form of long-term bonds at a fairly-gauged interest rate. Yet it is open to serious question what the response of private investors to such a program would be. It is to be doubted that under the emergency of depression anything resembling the Liberty Loan campaigns of war time would be successful.

If, therefore, the Government is to continue as an abnormally heavy borrower of investment funds—and every present indication points to this intention—it is difficult to see how the program can result in other than a maximum absorption of banking resources, whatever the security or its interest rate. In other words, available credit would largely cease to flow through normal banking channels and would find active application only through the politically directed channels of the Government.

Conceivably, such a program, involving a much more extensive socialization of the losses of deflation than we have yet embarked upon, might turn the economic tide and thus rescue itself. On the other hand, any less happy outcome would ultimately and inevitably find the Government's borrowing power exhausted and the plain record of history shows that this is the point of the beginning of forced and automatic inflation. As long as sanity prevails, governments do not deliberately and voluntarily embark upon uncontrollable currency inflations on the fatuous theory of easing the lot of private debtors. Government begins to print money for its own needs when it cannot be had in any other way.

No one, however, who has noted the inevitable results of such inflation wherever and whenever it has been tried, would wish to see such a course pursued. It remains then for us to call a halt on the hazardous business of attempting the socialization of the debt burden by shifting the difficulties of individuals, corporations and institutions onto the Federal Government, and sharply curtail both national expenditures and borrowing.

We know without doubt that an individual must cut his cloth to his purse. We know that he cannot spend himself nor borrow himself out of depression. We know that neither a city nor a state can borrow itself out of depression. Can all individuals collectively borrow themselves out of depression on the credit of the Federal Government, which is the credit of us all?

¶ *Test of Rallying Power on Basis of Seasonal Factors Is at Hand.*

¶ *Longer Term Outlook Still Obscured by Indefinite Business and Political Tendencies.*

Changing Market Trend?

By A. T. Miller

THE recent phase of reaction in the stock market has undoubtedly been accompanied by scattered and persistent liquidation in a number of individual issues. The underlying realities as to business conditions have been re-emphasized in several dividend changes more unfavorable than had been generally anticipated. Volatile speculative sentiment has taken another turn toward pessimism.

Yet the maximum activity of this movement has amounted merely to a couple of million-share sessions and, with the average price level once more around the bottom of the trading range which has prevailed since early October, the volume has fallen to less than half of that with which the reaction started. In short, so far as indicating any change of major trend, the fifth reaction of the last four months is no more convincing than the preceding four.

A Favorable Indication

The market's tendency to flatten out and to grow dull as recurrent technical reactions approach the general resistance level which has been maintained since early October appears to supply, at least for the early future, a favorable indication more reliable than the immediate state of speculative opinion, for the latter has a way of undergoing rather rapid changes of mind and emotion.

In the present confused setting, with the spring business developments still awaiting clarification, it would not be surprising for a few days of market firmness to effect another reversal of trading sentiment, for present activity is very largely in the hands of a professional speculative element which is very quick to change its tactics in pressing the immediate line of apparent least resistance.

Reaction has provided a technical setting for such a possible reversal. If there is to be a seasonal spring rally this year the time is ripe for it. In the late spring the actual business progress, if any, of the first quarter will be a matter of history so far as forward-looking speculation goes. Moreover, within the period of normal first quarter upturn there is no prospect that the political uncertainties which lie ahead will be clarified. The second quarter of the year will have to be awaited for indications of what the major policies of the new Administration are likely to be.

Thus, while clarification of both business and political doubts will most certainly determine the major 1933 trend of speculation, there appears to be nothing in the immediate setting to preclude at least an attempt at an intermediate speculation based primarily on seasonal hopes. If such a rally can not get under way during the second half of February, its chances of doing so thereafter will grow slimmer.

While recent moderate weakness has provided an opportunity for further selective accumulation, in conformity with the policy recommended last November by THE MAGAZINE OF WALL STREET, we again emphasize that purchases should not be made in periods of rally. Indeed, the time may be drawing near for a reconsideration of the whole question of intermediate investment policy, for if by March the longer business prospect appears no more improved than at present even a moderate rally would provide a favorable opportunity for withdrawal by those who have made purchases solely on the seasonal prospect and who are not willing on inconclusive economic evidence to carry longer-term risks. Meanwhile, the danger of a serious break-down of the market appears slight.

Affect of Dividend Changes

Although the recent action of the United States Steel Corp. in cutting its preferred dividend to a $2 basis, the omission of its extra dividend by Standard Oil of New Jersey and the reduction of dividends by several other important corporations met with a temporary adverse psychological reaction, it is perhaps significant that this series of disappointments resulted in no really important increase in the pressure of general liquidation. The fact is that liquidation or speculative selling "after the news is out" is usually selling of a weak and uninformed character.

Obviously, corporate dividend policy has a way of lagging far behind the course of business, especially in the case of the large companies which in good years built up fat surpluses, to some part of which stockholders are plainly entitled in periods of depression. The policy of the Steel Corp. in this respect, for example, has certainly no very close connection with the opinions of the management as to the business prospect. On such a basis the preferred dividend no doubt would have been cut or omitted some time ago.

Dividend policy under present conditions is determined chiefly with prudent regard for a corporation's liquid resources. Companies which have been paying unearned dividends throughout much of the depression can not do so forever, but the fact that individual companies at varying times approach a point below which they do not think it wise further to reduce surplus can by no means be accepted as representing an informed forecast of the business prospect. In this connection, it is of interest to note that the final, reluctant omission of dividends by the stronger companies is precisely what is to be expected in the late phases of depression. There were many such changes, for example, in the forepart of 1922 when business was actually under recovery.

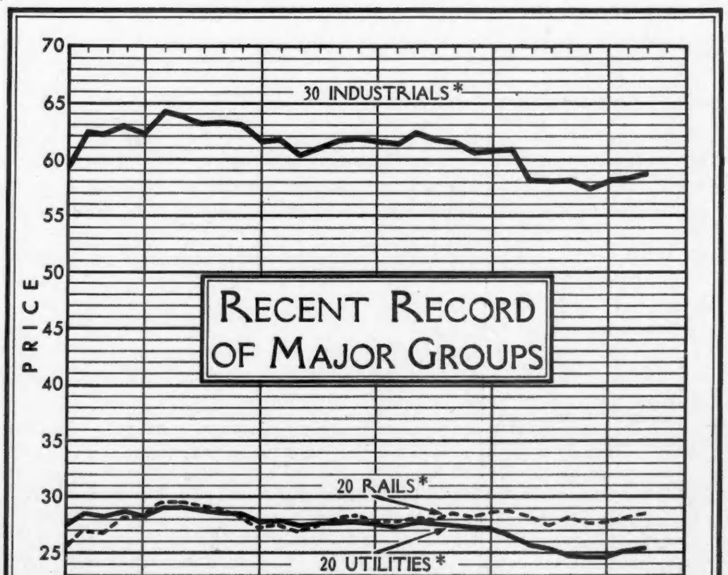
In view of the marked irregularity of individual and group price movement in recent trading, it appears probable that this characteristic likewise will prevail in any rally. A glance at the price charts instantly reveals that over the past four months the fluctuations of the industrial stocks, despite wide individual variations, has been essentially negative on the average. The railroad group, on the other hand, has demonstrated a consistent and persistent improvement in underlying support, while apparently informed liquidation, although in moderate volume, has been sufficient to carry the public utility stocks at their worst slightly under the previous bottom range of the last four months.

To some extent the unfavorable performance of the utilities is no doubt due to the apparently probable prospect of a movement for more intensive interstate regulation of rates and operations under the new political administration. The threat of future governmental competition in the production and distribution of electric power at Muscle Shoals and other areas is also hardly conducive to enthusiastic speculation in utility shares, although such actual danger to private companies as is involved is certainly by no means imminent.

As a matter of fact, there are more tangible current reasons for a changed investment appraisal of many utility stocks. Despite a substantial improvement in the general level of business activity, as compared with the low point of 1932, there has appeared no corresponding gain in the gross sales and revenues of the utility industry. The evidence afforded in recent weeks by the index of electric production is disappointing, suggesting that the downward trend in gross sales is thus far continuing.

Unless this trend is soon reversed it can scarcely fail to have an increasingly adverse effect on that portion of utility earnings which is available for common stocks. In the capital set-up of most utilities is a simple explanation of the fact that the acute pinch of depression is belatedly felt. Fixed charges, especially interest on funded debt are relatively rigid. While the industry's coverage of prior charges is still good, a point of declining gross sales apparently has been reached beyond which any further shrinkage will rapidly eat into the earnings available for shareholders.

Together with this factor, some question has arisen as to whether the industry's internal position can escape some further deflation, if it is to conform with the price levels prevailing in other fields. Considerable agitation for reduction of service rates is being heard on the argument that costs of materials and labor have come down. Moreover, the "reproduction cost" argument advanced by utility companies in rate-making cases of a few years ago is now cited in reverse by their opponents. Nevertheless, the essential position of the industry is sound and its possibilities of long-term future growth are promising, regardless of temporary difficulties. These may justify reappraisal of intermediate holdings in some stocks, as discussed in a separate utility article in this issue, but need not disturb investment retention of the stocks of sound companies.



The performance of railway stocks is surprisingly good and even without the support of much visible evidence of a fundamental change in their position is quite likely, if maintained a little further, to be accepted as a heartening speculative portent for the reason that throughout this depression the movement of the rails has proved the most reliable barometer of general market trend.

The level of traffic is below that of a year ago but maintains a hopeful portion of the recovery experienced since last June. This fact supplies a tangible basis for increasingly confident assumption that the process of disintegration in the general rail position at least has been significantly checked. On the present traffic level, operating economies —although to some extent at the expense of deferred maintenance—give much promise of enabling the roads to show at least moderately larger earnings than in 1932.

In last summer's very excess of pessimism regarding the railroads, there was perhaps a setting provided for a reversal to the present more optimistic sentiment. It is increasingly realized that probable reorganizations, either voluntary or under revised Federal bankruptcy laws, would constitute an essentially favorable, rather than disastrous, development. It is also increasingly apparent that in most cases junior bonds are conservatively priced in relation to underlying values and long-term prospects.

In addition, the market appears to reflect a conviction that a generally constructive program of railroad regulation and rehabilitation is to be expected from Washington. These factors, it must be admitted, do not alter the probability that further ultimate deflation of rail wages and freight rates will be necessary, nor do they change the fact that substantial recovery in traffic is prerequisite to sustained revival of earning power.

The current business indexes are neither inspiring nor unduly depressing, reflecting in the main merely a continuation of the recent uncertainty and hesitation. On the average, there has been a further moderate decline in commodity prices, but its adverse speculative influence is currently modified by a few spots of tentative firmness in farm commodities, notably wheat and hogs.

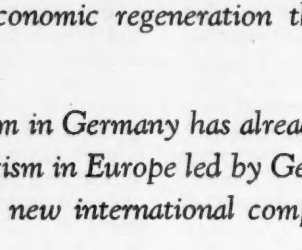
We appear to be nearing the end of the period of seasonal increase in banking and commercial failures and in retrospect the record is not bad, comparing very favorably, indeed, with the figures of a (*Please turn to page 506*)

The accession of the Nazi leader to the Chancellorship, even though he is at the start restrained by a cabinet in which modern elements are dominant, is portentous of events which may offset all the economic regeneration that has been accomplished.

Dominant fascism in Germany has already raised the problem of combined fascism in Europe led by Germany and Italy, and pointing toward new international complications.

As Germany Revives—In Comes Hitler

By John C. Cresswill



IN view of the fact that it was the German financial collapse in the spring of 1931 that gave the world-wide business depression additional momentum—when recovery had apparently begun—the present situation in Germany is of critical importance. If the nucleus of infection which spread throughout the world is being extirpated the consequence, both tangible and psychological, may be comparable in uplift to the down thrust of its inception. Unfortunately, just when there was convincing evidence that Germany had succeeded remarkably in righting herself the outlook has become clouded by political complications.

The accession of Hitler to the chancellorship, even though he is at the start restrained by a cabinet in which moderate elements are dominant, is portentous of events which may offset all the economic regeneration that has been accomplished and lead to another postponement of general recovery throughout the world. At the best, the German situation must in all aspects be one of worried waiting until after the parliamentary elections, set for March 5. What will ensue then can not be foretold with any degree of confidence. The electoral contest appears to be a struggle between the adherents of some sort of virtual dictatorship, or tyranny—virtually between the Republic and a reversion to the approximate absolutism of the Empire. The adherents of the old order have formed an alliance with Hitler's fascists to that end. They expect to merge the National Socialists and the imperial reactionary elements into a dictatorial government body, in which they will furnish the leadership and Hitler the power without being it himself. After the elections, however, it may be they and not Hitler who will turn out to be the catspaw. Strange and dismaying adventures in government may follow in that event.

The election decrees issued by the new government show clearly its intention to stamp out by fair means or foul all open opposition to the realization of a strong government for Germany. This purpose may lead to civil war, particularly if the Communists and the Socialists should bury their enmity in general discontent. So far the Nazis have effectively driven a wedge between these two great factions of the working classes. Their combination, however, would result in a force out-numbering the National Socialists and their strange bed fellows—the junkers and the industrialists. Such a war (or continued governmental paralysis) may be the only alternative to a virtual revolution, resting on the Reichswehr and other regular or volunteer military groups. The German people have never been notorious for sustained opposition to the government *de facto*, and a government of blood and iron may easily subdue all open opposition and have its way.

Regardless of one's political sympathies, it is necessary to concede that such an outcome would make for economic betterment, for it would mean that politically and economically Germany would be unitarily and centrally controlled and directed. Big business would be the real ruler of the Reich. What the will of man, the power of government and the union of industrial and banking power under one clear-seeing and determined control can do to direct national economy into prosperity would be done.

The optimism that was beginning to prevail in Germany before the governmental overturn, apparently shared by foreign as well as domestic observers, was not based on an obvious upturn of business, or even of certain checking of recession. It was based on a feeling that the long battle for the attainment of a financial and economic position of acknowledged vigor and capacity to meet any contingency that might be expected had been definitely won.

The re-establishment of confidence is reflected in the position of the Reichsbank. Notwithstanding increasing business activity and awakening enterprise the Bank

reduced its credits by 840 million marks during 1932, and money in circulation declined by 758 million marks. This is attributed largely to the repatriation of funds and the disappearance of hoarding, and the consequent ability of industry and trade to provide financing internally. Repatriation was due, in turn, to the general confidence that between the government and the Bank the exchange problem had been solved. While there has been great political unrest and apprehension for many months the successive governments had inflexibly pursued a policy of controlling and economizing foreign exchange at whatever cost. The gold standard had been successfully maintained and inflation sternly avoided. While foreign trade as a whole declined various forms of governmental manipulation had kept imports within exports, an achievement as noteworthy as it was necessary. Germany is no longer a creditor nation and its international services are not profitable. For the time being it must fortify its gold position by an excess of exports. The margin between imports and exports has been narrowing in recent months, but is as yet sufficient, at around 80-to-90 million marks a month.

Foreign Credit Position

The short-time credits situation causes no alarm, and there is little fear that threats of deliberate scaling down of foreign private obligations will be realized. The standstill agreement will be renewed on German terms. The amount involved, the major part of which is American money, has been somehow reduced to about one billion dollars—two thirds of what it was. It is possible that a new government will ask for an indulgent reduction of interest rates on the private foreign bonded indebtedness, but if this is all it will have an effect of strengthening confidence in the integrity of the principal. Reduction of principal on foreign bonds, however, is unlikely in 1933. Very few bond issues have so far failed to meet interest.

There has been a noticeable improvement in liquidity of banks and business in general. The government has from time to time permitted the purchase of German securities abroad with the proceeds of sales of exports. These bonds bring much higher prices in Germany and swell the profits of exporters. German farmers who are able to buy foreign holdings in the German Central Bank of Agriculture can thus use them to pay their debts at 50 cents on the dollar.

Whatever the government position may be eventually German business opinion inclines to the view that each debtor should stand on his own feet, and that Germany be not discredited abroad by any sort of general moratorium or revision. Further liquidation of weak concerns, which has been staved off by governmental subsidies, is certain. When it is achieved German industry will find its production costs greatly reduced, through the deflation of wages by decree and otherwise. And it will have behind it a strong banking structure and a currency at par. Prior to the incoming of Hitler the security markets were steady and confident in tone. Between April and December there was an advance of 25 per cent in stocks and about 20 per cent in bonds.

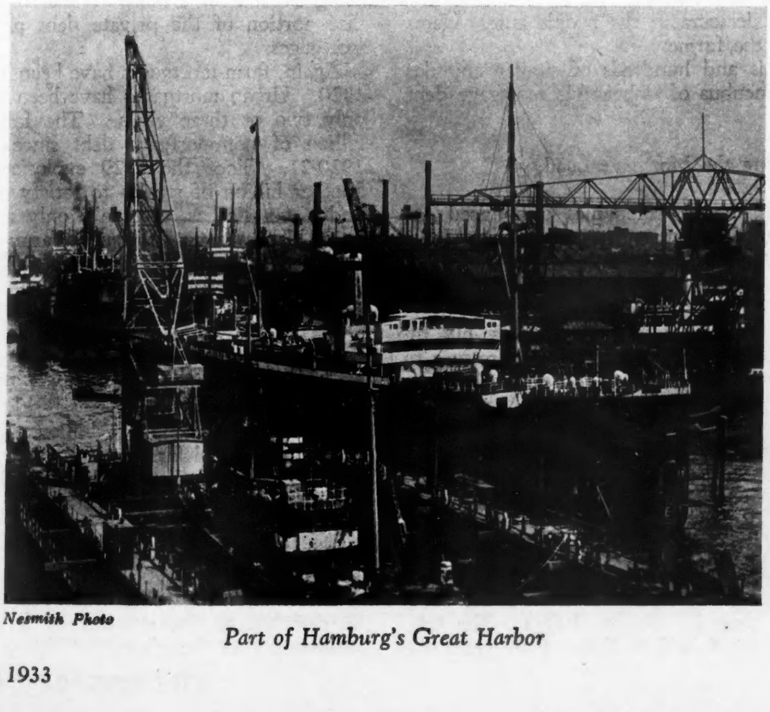
Illusory Growth of Production

While there has been since last summer a gain in the general production index for the first time since the financial crisis of 1931, there has been no expansion of business volume—rather the contrary. Confidence is discounting the future. Unemployment has perhaps, declined a little, but the purchasing power of the public continues to descend. Work has been spread out and subsidies have stimulated production but wages have been reduced. No actual improvement in genuine business activity is expected until unemployment has been greatly reduced and payrolls grow. Output of coal, iron and steel, and chemicals and textiles (until recent weeks) has gained, and there has been some expansion of the industrial use of electric power. The cotton spinning industry is greatly depressed and so is the agricultural implement making industry. The wholesale indices have continued to fall, having descended 20 points in a year, but living costs have fallen only 12 points.

The federal budget continues unbalanced, the 1932 deficit was 2 billion marks. Tax collections have declined and industrial subsidies are, nevertheless, being increased.

The export trade is much concerned with the tariff dispute with Sweden which may result in a loss of a large part of Germany's already dwindling favorable balance of trade. With the cheapest labor in the world and a depreciated currency, Japanese factories are cutting into some of Germany's best markets in cotton goods, electric light bulbs, locks, axle bearings and some other items.

The vicious efforts the Hitler government is making to crush the communist party in Germany is already re-acting unfavorably on the profitable export trade with Russia. The Soviets are believed to have stopped purchasing Russian securities in foreign exchanges for use at higher Berlin prices in paying for their purchases in Germany. The recent fall in German securities in those markets is partly attributed to this Russian reprisal. Complete Hitler control will probably result in a virtual suspension of German trade with Russia, which would be followed by a serious exchange situation, *(Please turn to page 505)*



Nesmith Photo

Part of Hamburg's Great Harbor

Foreclosure or Adjustment?

Mortgage Debts Approach the Crisis

By THEODORE M. KNAPPEN

IT was in Iowa—richest of the agricultural states — stronghold of the rural bourgeosie; stage of the great farm land speculation of the post-war period, when the fat black lands multiplied in prices as mushroom stocks did in Wall Street in the "new era" madness.

A farm was to be sold under mortgage foreclosure.

The sheriff and the auctioneer came—early.

The guardian of the law wore a huge gun on his hip. Law was law and it would be upheld.

Seven hundred farmers straggled into the yard—from miles and miles around. They were quiet—too quiet.

The sheriff started. A farmer stepped up and slapped him a stinging blow on the face; his gun remained in the holster.

"Get out of here," said the farmer. The Sheriff got.

"You, too," said the farmer to the auctioneer. He also got. . . . .

"What are you going to do about it?" the district judge was asked in his home that evening.

"Nothing, this is a democracy; the people rule. Hereabouts the people are the farmers."

The meaning of this and hundreds of similar episodes spell the end of the incubus of unbearable mortgage debt in rural America.

Lightening the Mortgage Load

Already the life insurance companies announced indefinite moratoria on farm mortgages, not only Iowa but, presumably, throughout the nation. This is the beginning of a universal recasting—deflation—of farm mortgages.

City dwellers are not so bold as the farmers, but reports are coming in of a general let-up of the pressure to foreclose on urban dwellings.

The other day the largest building and loan association in Dayton, Ohio, announced a horizontal reduction of mortgage interest rates from 7 to 4½ per cent, effective for the year of 1933.

The mortgage problem is before every state legislature now in session—and that's all but a few of them. Congress is moving to lower interest rates on all Federal government agencies' loans—and all private farm loans, too.

The national wealth of the United States is today probably not much more than 200 billion dollars. The total real estate wealth is about half of that. Four years ago that real estate was valued at 170 billions. It was mortgaged for approximately 46 billion dollars —9.5 billions on farms, 37 billions on urban real estate. Four years ago the national wealth stood at 380 billions and the income at 90 billions, of which the farmers enjoyed 11 billions. Since then farm mortgages have been deflated by foreclosure to 8.5 billions, but farm income has shrunken to 5 billions. Five billions to support 32 million people! Something had to give way.

***Farm Mortgage Loans**

Lending Groups	Loans (Millions)
Federal land banks	1,146
Joint Stock Land Banks	667
Commercial banks	1,020
Mortgage companies	988
Insurance companies	2,164
Retired farmers	1,006
Active farmers	339
Other individuals	1,453
Other agencies	685
Total 1928*	9,468
Total 1910	3,320
Total 1930	9,241
Total 1933	8,500

* Latest Available Comprehensive Data.

The farm mortgage situation is more acute than it appears. Less than half the farms are mortgaged, leaving the rest to carry the enormous mortgage load. Here is another angle of the problem: From 1914 to 1929 the massed purchasing power of all producers increased 61 per cent, that of the farmers, only 21 per cent. Manufacturing laborers gained 108 per cent, while management and capital gathered in a gain of 153 per cent. Something had to break. Something did break in 1929. Other things are breaking now. The ground is being cleared for a more or less complete readjustment of that portion of the private debt problem represented by mortgages.

Again, farm mortgages have been a persistent curse since 1920. Urban mortgages have been a baffling problem for only two or three years. The farmers have paid off a billion of non-mortgage debt since the great debacle of 1920-21. Since the 1929 explosion they have forfeited another billion of wealth to satisfy mortgages and taxes—and a tax lien is, after all, only a super-first mortgage. Paint black the tax-delinquent farms and the map of rural America takes on a dark and foreboding aspect. And real estate mortgages are not all of the blackness, for the farmers have, also, indebtedness not secured by land of about 3 billions—close to 12 billions all told.

Who are the creditors of this debt picture? The life insurance companies hold about 1,700 million dollars; the Federal Land Banks and Joint Stock Banks, 1,500 millions. Most of the remaining 5 billions is held by local banks, active and retired farmers, and other local investors. Thousands of rural banks have been crushed and wiped out by these assets—esteemed the cream of the cream before the world was turned upside down. The banks went down first in the ruin caused by the rigid farm debt. After them, the farmers.

Information regarding urban real estate mortgages is not so complete as that relating to farm indebtedness. It is estimated that there are 13,000,000 homes in the United

States occupied by the owners—about half of the whole—and that 5,000,000 of them carry mortgages. These mortgages usually run for from three to five years. There has, therefore, been an enormous number of maturities since the depression set in. The difficulties into which financial institutions have been plunged, together with the depreciation of the value of the security, has resulted in great pressure for liquidation. Curtailment before renewal has been the general rule, and the number of foreclosures has been stupendous.

For the most part, mortgages on real estate represent part of the financing for the original building or its purchase. The period between 1922 and 1929 was one of extensive home-building. The owners usually took on a heavy proportion of first and second mortgages. On the average their incomes have been cut 50 per cent, and great numbers have lost virtually all income. Yet their obligations remain what they were in flush times, and interest rates the same. Simultaneously, the valuation of their equities has grossly declined. Here, as with farm mortgages there must be a scaling down of obligations through foreclosure or rearrangement of mortgages, the latter taking the form for the most part of reduction in interest. Neither the city nor the country can ever recover a normal balance between real estate creditors and debtors until the debt burden is adjusted to the new level of income, commodity prices and business profits.

The aggregate urban property mortgage debt, including that of corporations, was placed at 37 billions in 1929. How much it has since been scaled down by foreclosure or otherwise is not known, but it may be estimated at 5 billions. Also to be taken into account are other corporation bonded and mortgage liabilities. Besides, we have to take into account a business mortgage liability of approximately 12 billions carried by individuals and partnerships, but largely overlapping the above item of 37 billions. If this amount has been scaled down during the depression in proportion to the farm debt it may now be somewhere around 10 billions.

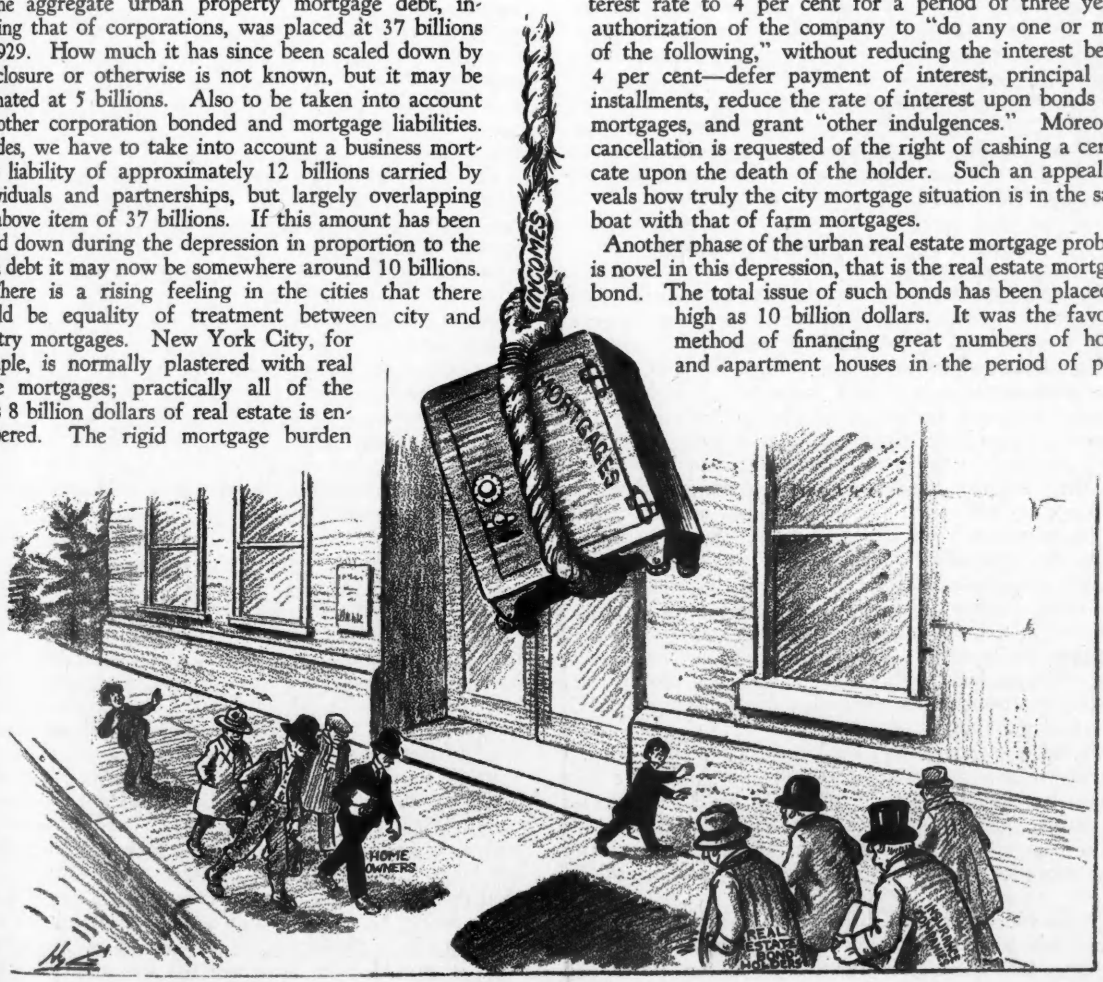
There is a rising feeling in the cities that there should be equality of treatment between city and country mortgages. New York City, for example, is normally plastered with real estate mortgages; practically all of the city's 8 billion dollars of real estate is encumbered. The rigid mortgage burden bears oppressively upon the city's entire business life. Reduction of interest rates is stoutly opposed by some interests as being financially disturbing, but the savings banks are disposed to acknowledge that it is inevitable, although they are opposed to the adoption of a general rule. Suspension of amortization of mortgages during the depression is strongly advocated.

Guaranteed Mortgages and Real Estate Bonds

A critical aspect of the urban mortgage problem is the difficulties the mortgage guaranty companies are now facing. It is estimated that in New York City alone there are 3 billions of guaranteed mortgages, entailing an annual obligation under the guarantees of 700 millions. The demands on these companies have become so great and so far beyond all normal expectations and present income that large numbers of mortgagees find themselves as precariously situated as the mortgagors. Special temporary relief for them is under consideration, with the Reconstruction Finance Corporation as the source and the New York Clearing House banks as an emergency factor. Permanent reduction of their liability as well as that of the mortgagors is sought in a campaign now under way.

For example, the New York Title & Mortgage Co. has formally appealed to its guranteed certificate holders to amend their certificates as follows: Reduction of the interest rate to 4 per cent for a period of three years, authorization of the company to "do any one or more of the following," without reducing the interest below 4 per cent—defer payment of interest, principal and installments, reduce the rate of interest upon bonds and mortgages, and grant "other indulgences." Moreover, cancellation is requested of the right of cashing a certificate upon the death of the holder. Such an appeal reveals how truly the city mortgage situation is in the same boat with that of farm mortgages.

Another phase of the urban real estate mortgage problem is novel in this depression, that is the real estate mortgage bond. The total issue of such bonds has been placed as high as 10 billion dollars. It was the favored method of financing great numbers of hotels and apartment houses in the period of pros-



Somebody May Be Hit!

perity and lavish construction. These bonds probably represented a total of investment that was considerably in excess of a conservative valuation of the properties to which they were related. Today they may be estimated as having less than half the value of the bonds floated against them. Liquidation of this bonded indebtedness is proceeding rapidly, and the owners of the bonds are getting no more public help and sympathy than the losers in the security markets. It is quite the common thing to find hotels and apartment houses in bankruptcy or in liquidating receiverships. The ruthless process of deflation is cruel to the bondholders but the general public is deriving benefits in reduced rents and hotel rates.

The failure of six thousand banks in four years has aggravated the mortgage distress by precipitating foreclosures in the course of liquidation where renewals would have been the usual thing in ordinary times.

The financial institutions of the country carry about two-thirds of the urban mortgage total of 37 million dollars. The insurance companies have to deal with a large proportion of this amount. Eighteen of the larger life insurance companies hold 4,100 million dollars of urban mortgages of various kinds. While the mortgage percentage of their total assets is not large it is an important factor in reducing their dividend to policyholders and stockholders. Incomes of millions of individuals are thus adversely affected. City banks, trust companies, mortgage loans companies and divers investment companies and the individuals who are their ultimate owners have suffered from defaults and losing foreclosures.

The Nation's Mortgage Burden in 1929

(000,000 omitted)

Class	Principal	Interest
†Farm	$9,241	$554
†Corporations	46,421	2,437
Non-Farm Individuals and partnerships	12,000	720
	$67,662	$3,711

† Industrial Conference Board.

Scaling Down Mortgage Indebtedness

The conviction is general that the interest rates that prevailed before 1929 must be forgotten; this is true in practically every species of financial obligation.

The pressure of public opinion and of the national and state governments is beginning to be felt, and this moral influence will soon become more effective. As yet public bodies have paid little attention to the necessity of revising the city as well as the country mortgage debt burden, but that they will not limit their influence to the farmer is becoming evident. The city home owner is next in line for consideration. Already he has experienced some indirect relief from the Reconstruction Finance Corporation, and the new Federal Home Loan Bank is just swinging into action for his relief, with a potential capacity of at least one billion dollars, chiefly through the assistance it is giving his creditors, the various financial institutions from which he has borrowed. Congress will probably set a potent interest reducing precedent by reducing R. F. C. loans to 4 per cent.

But the farmer is first in line for both first aid and permanent cure; and it is right that he should be the first beneficiary, for the farm is not only his home but his occupation. Governors and legislatures are making appeals to mortgagees to proceed mercifully and several species of farm mortgage moratoria are up for legislative consideration.

The whole commercial and financial machinery of the countryside is chained to the farm mortgage. If interest and taxes take more than 6-cent corn, 20-cent wheat and 5-cent cotton can yield, there is no money for the bank, no new business for the merchant and only dust for the old bills. And, then, the farm mortgage is the prime rural investment,—the support of the retired farmer, the bulwark of rural estates.

It is not in human nature, at least not of the American stripe, for a whole generation to endure sacrificial torture out of respect to a dead and decaying past. Debts contracted on the security of land when it was worth five times as much and yielded several times as much as now in money income and purchasing power cannot endure. They are as incongruous with the new environment as high heels and desert sand.

Deflation of farm debts is now sure to be effected much sooner than was dreamed of a year ago. The 1920 interest level has been smashed. Farm mortgage interest will drop from 6 to 8 to 4 and 5 per cent, and in thousands of cases mortgagees will scale down the principal. Mortgages based on valuations that are as obsolete as the five-toed horse will be rewritten in relation to the facts. A $20,000 mortgage on a $10,000 farm is only a fantastic memory. The borrower cannot pay and the lender cannot farm.

Beyond these mutually necessary voluntary adjustments there is impending a general legislative assault on the whole mortgage position. What might be called a refunding is under way with official sanction and governmental financial help. Congress is littered with bills looking in that direction.

The most extreme is that of Senator Frazier of North Dakota which contemplates the absorption of the entire rural mortgage debt of the nation into the Federal Reserve System. Farmers would be permitted to borrow from the Federal Land Banks to the extent of 80 per cent of the value of the farms, interest 1½ per cent. The banks would turn their bonds, based on these mortgages, over to the Federal Reserve, which would issue currency against them. Of course, every farmer in the country encumbered with a high-interest rate mortgage would hasten to convert at the earliest possible moment—and soon Uncle Sam would have all the rural mortgages—and the Federal Reserve System would hold the bag for a 9-billion-dollar inflation, and all the attendant dangers which such a bold policy in the socialization of debt implies.

More Conservative Legislation

A more conservative plan is that of Senator Robinson, of Arkansas, which looks to recasting all Federal Land Bank mortgages into forty-year terms, during which principal would be amortized by annual payments, with interest at 3 per cent. The Joint Stock Land Banks would be liquidated and absorbed into the Federal system and their mortgages administered or refunded on a par with those of the Federals. Finally, the Senator would create, under the Federal Farm Loan Board, an emergency Agricultural Refinance Corporation, which would be provided with a capital of a billion dollars to make new or refinancing loans to farmers, even in cases of bankruptcy. For their direct part in clearing up the mortgage mess the Land Banks would be provided with another 500 million dollars.

Just to hold the fort while refinancing is being worked out, Senator Hull of Tennessee has rushed in with a bill

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Generally Speaking, the Greatest Risk Assumed by an Industrial Corporation Is Its Investment of Capital in Fixed Assets

What's Behind the Plant Account

A Thoughtful Study From the Investor's Viewpoint

By WILLIAM WREN HAY

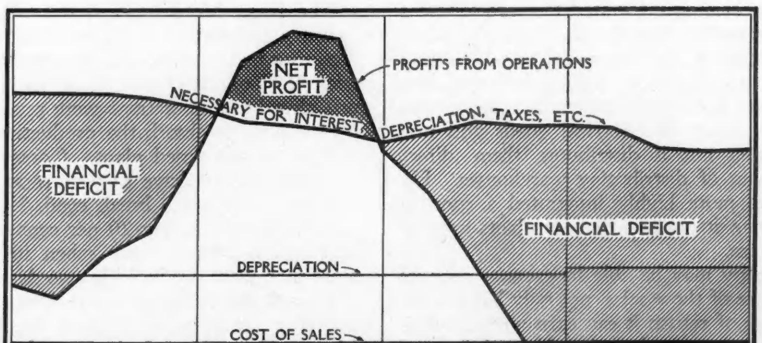
INVESTORS were more concerned a few years ago with the earning capacity of production units and sought industrial management, whereas nowadays they are more concerned with accounting methods,—financial management. The reason for this altered viewpoint is not plain to everyone nor is the answer to be found in company reports. The problem is more than mere juggling of book accounts because it involves the methods of production practiced by different companies in the same industry, the suitability of plants and equipment to the demands of the future and above all the flexibility of this capital.

The usefulness of many plants has been seriously impaired by this depression and although some would prove to be economical with but a slight recovery of production, some time must elapse before consumption would absorb enough of the output of others to render them profitable again. It behooves the investor to examine the production methods employed, weigh the factors which influence their production and then attempt to appraise the earning capacity of the particular enterprise in the light of the future. In view of the prevalent write-down of capital and revised depreciation charges it is doubly important to try to make some analysis of the sufficiency of such financial adjustments. Mere accounting is not a good substitute for income derived from economical production.

The past policy of the management towards expenditures for plant construction or acquisition should be the initial step in the examination of the plant account. The "why?" of expansion may be found to have been one or more of several reasons, among them general prosperity, growth of markets, new methods of production, ambition, or others not so tangible or easily identified. Whatever the original purpose for accumulating fixed assets, it no longer follows that what appeared to be sound will be economical during the coming years.

Generally speaking, the greatest risk undertaken by an industrial corporation is its investment of capital in fixed assets,—land, buildings, machinery, etc. At this time it appears to most people that the shrinkage of all capital has affected the plant account more than any other factor because so many of our manufacturing plants were built at a much higher cost than would be needed to reproduce them today. Within a certain limit, investors are probably right about this, and the same circumstances surrounded the acquisition, either by outright purchase or by exchange of securities, of other companies. The shrinkage of all values with falling prices might be adjusted by the stroke of a pen,—that is, by accounting—but the obsolescence of fixed assets from lack of use or because of new developments may not be dismissed so easily. The question then arises as to whether it is sufficient to do as many corporations today are doing, and write down physical assets to present price levels; whether the devalued plant as at present operated would produce a small output efficiently; or whether it could ever be profitable again.

When profits are large there is always a tendency to plough back a large portion of them into the business, usually to expand the production facilities for the purpose of increasing the output. There may be particular cases when this would be justified but as one successful corporate head succinctly put it: "No manufacturing enterprise should, under any circumstances, be expanded to take care of peak demand."



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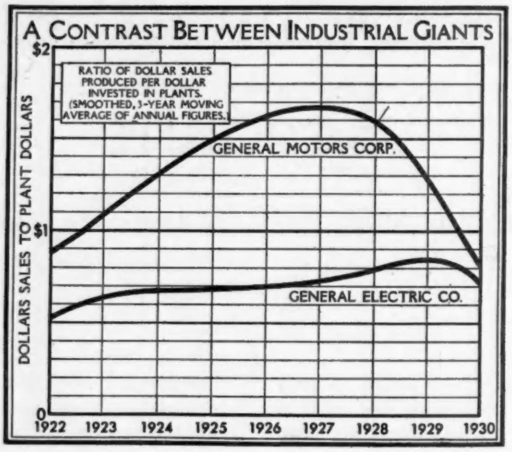
The future earning capacity of an industrial enterprise depends upon the nature of its business, the condition of its markets and, in these days, somewhat upon its production methods. At the moment the condition of all markets is beyond the control of managers but we may safely count upon relatively slow recovery of consumption. However, it will be a few years before production could reach such levels as would enable manufacturers to use their plants as economically as they were accustomed to. Many observers are so pessimistic as to believe that a good many years must pass before our present productive capacity would come into full use again, but many industries are now adjusted so that a profit may be secured from a much lower rate of production. For instance, if "normal" economical rates of motor car production used to be 60 per cent of potential output, today many companies could fare very well operating at less than 40 per cent of capacity and some as low as 30 per cent. In former years, too rapid expansion of production facilities was soon absorbed by growth of the market but now it certainly appears advisable to consider whether the capacity of individual plants has been adjusted to much less consumption.



It is well to examine the integration of a concern first, whether integration is forward or backward, horizontal or vertical. Vertical integration involves the ownership of the raw materials entering into the production of the article or goods and the disposal of the finished product to consumers or users. Horizontal integration combines many different products for sale in many markets. Integration is backward or forward according to whether it is directed towards acquiring the sources of raw materials or towards the distribution of the finished goods. Of course, most large corporations are partially integrated one way or another, while others are notable for practically complete integration. International Harvester Co. is an example of almost complete vertical integration for it mines its own iron ore and sells its own output direct to the users. Most motor car makers are becoming integrated forward whereas steel makers are integrated backward,—the former (except Ford) own no raw materials, the latter seldom sell to final users of finished steel articles. General Electric Co. is a good example of forward horizontal integration, as it manufactures a great many kinds of electrical goods and machinery for all purposes but it distributes them direct through a national chain of distributing warehouses. Up to a certain point, the more highly integrated a concern may be, the more certain it appears that its plants may be economical in the future.

The control a company may be able to exercise over its own sales and the nature of those sales, not only has a great deal to do with the rate of return it can earn with its capital but it also determines somewhat the ebb and flow of its profits. The demand for raw materials fluctuates violently according to whether times are good or bad, while the demand for low-priced goods used for human consumption is relatively inelastic and varies but slowly from time to time. The producer of raw materials for others has little or no control over its sales because producers who buy from them may, at their own volition, refrain from buying or not. In contrast, sellers of consumers' goods like foods, soap, tobaccos and other goods of repetitive demand may govern their own sales by advertising and other appeals to the ultimate consumer.

It is frequently said of steel "it is either a prince or a pauper" because steel mills have to await the decisions of other producers and in these days of rapid production and fast transportation, they even carry their customers' inventories of rolled steel. The effect of fluctuating demand on the earnings of a steel mill is portrayed in the graph on the preceding page. Here is a company which has not added much to its capacity since 1923, so that its profits did not suffer from the effects of over-expansion. The moving line "Profits from Operations" fell below annual interest requirements at the end of 1929, depreciation was not earned after the year ended June 30, 1930, and actual operating losses have been incurred since the calendar year 1930. Except that earnings have been declining for a longer time, this is a characteristic graph for steel mills. At the present time this company has its affairs in such shape that its operating loss in 1932 was but little more than it was the previous year. On the other hand, it appears to be doomed to financial deficits for some time to come because an operating ratio of 30 per cent is necessary for it to "break even" on its Cost of Sales. The relatively stable income of National Biscuit Co., R. J. Reynolds Tobacco Co. and other "depression-proof" companies need no picture to contrast with the above. Nevertheless, a steel mill may get out of the "red" very rapidly under certain conditions, whereas the same conditions of recovery would not result in much change of the income of the depression-proof stocks.

Insofar as the future is concerned, it appears that the most important influence on the recovery of profits after a slow revival of business would be due to the elasticity of the production of a concern but whether a particular company may recover to earn profits again would depend upon its production methods.

The Nash Motors Co. is outstanding in the motor car industry and made a small profit last year because its manufacturing methods are exceedingly flexible and its managers wise. Nash operated three plants in 1929, last year one plant was closed and operations were revamped in the other two plants so as to absorb the production which had been carried on in the closed plant. Contrasted with other motor car makers, who have to operate at 25 or 30 per cent of capacity in order to break even, Nash has been profitable with an output barely 20 per cent of its potential production and can break even when its monthly sales are no more than were produced in two days of capacity operation.

Disregarding changed conditions and markets, we might say that up to now General Electric Co. and General Motors Corp. have had every factor in common except diversification of products. Both of them sell consumers articles with an elastic character of demand and while General Electric Co. has a great deal of capital tied up for the production of public utility and other capital goods, it has also a large sale of relatively inelastic articles to balance; they are about equally integrated in a forward man-

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Uncle Sam in the Power Business

Is President-Elect's Proposal to Operate Muscle Shoals a Threat to Public Utility Investments?

By Francis C. Fullerton

ANNOUNCEMENT by President-elect Roosevelt of his advocacy of a tremendous experiment in "planned economy," centering in the Muscle Shoals project and involving, among various more nebulous proposals, the direct entrance of the United States Government in the production and distribution of electricity, has thrown a cloud of doubt over the public utility industry.

The recent reactionary performance of public utility securities, a vast total of which is held by individual and institutional investors, shows clearly that the shouts of joy with which the southeastern states have received the Roosevelt plan strike no responsive chord in the emotions of such investors.

In general, it is probable that the actual influence of this vague plan upon the current movement of utility securities has been greatly exaggerated and that other and more immediate economic factors are chiefly responsible for such liquidation as has appeared. In the first place, the Roosevelt project is so vast and complicated that it amounts virtually to a dream into the distant future. Its practicability and cost are yet to be determined by necessarily extensive surveys. Much may happen—including a normal business recovery—during the years that probably would be required for the practical development of such a program.

As to the plan itself, little need be added to the extensive newspaper exposition it has had. Its development over a period of years, however, may be cited as a perfect example of the amazing vitality of the political and bureaucratic forces working constantly to widen the sphere of the Federal Government's functions and operations.

The present ambitious proposal is really an outgrowth of an accident of war. Its germ was imbedded in political consciousness when the Government, under stress of war emergency, ventured hastily and none too successfully into the original Muscle Shoals development at a cost of some $125,000,000. The original purpose was not public development of the enormous electric power available from the Tennessee River but its utilization for the manufacture of nitrates for fertilizer.

By the time this development was completed the war was over and scientific progress in the fixation of nitrogen had made the Muscle Shoals equipment commercially obsolete for this purpose. For some years, however, the "cheap fertilizer" fallacy continued to find political exploitation. From the availability of the water power equipment and its vast potentialities for expansion, political agitation gradually turned from "cheap fertilizer" to "cheap electric power."

Many important questions are raised. Should the Government invade a field of business heretofore left to private initiative and private investment, thus endangering a huge total of invested savings? Should a development of especial benefit to one geographical section be financed by the national Treasury? Is there any real commercial need for a vast new source of electric power? What will the cost be? Is there any probability that Federal bureaucracy, as it exists today, will be capable of competing successfully

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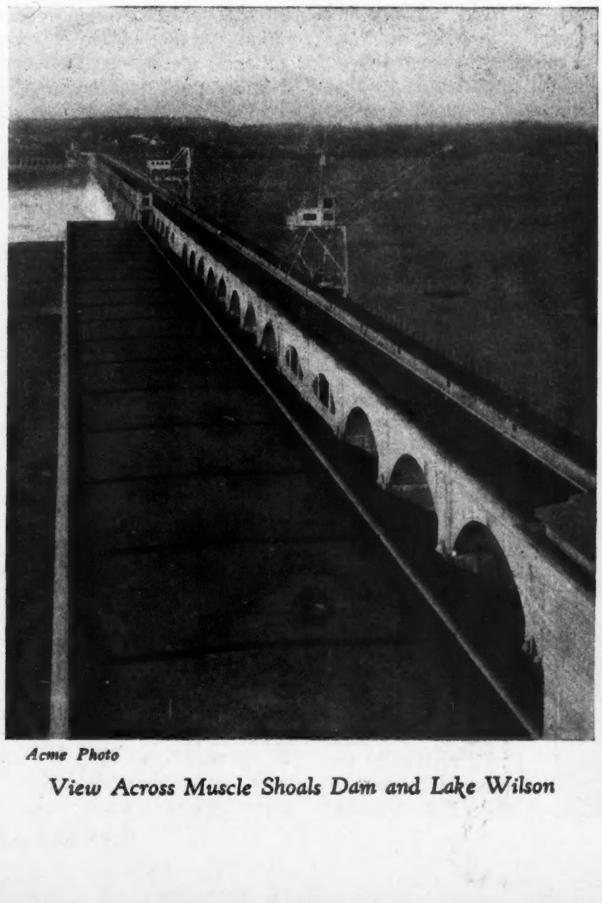


Acme Photo

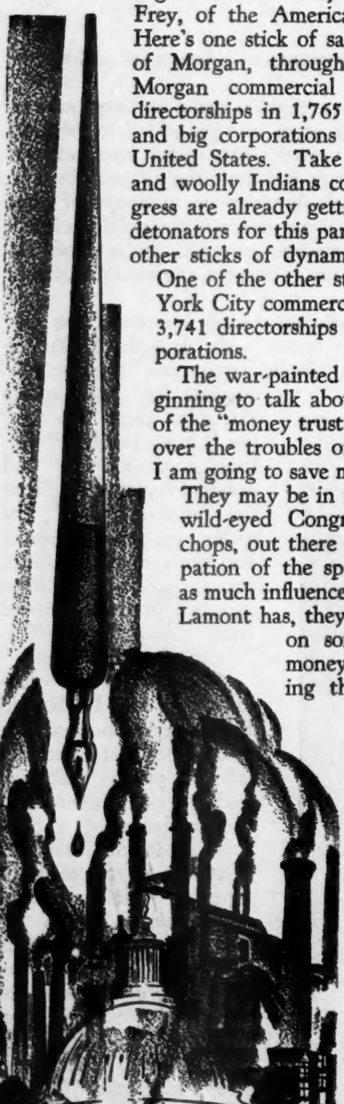
View Across Muscle Shoals Dam and Lake Wilson

Intimate Letters of a
& His New

WASHINGTON, D. C., February 5, 1933.

DEAR PERRY:

A big load of dynamite for explosive purposes in the next Congress—which is chockful of ignition—was delivered to Congress last week by my old friend, John P. Frey, of the American Federation of Labor. Here's one stick of said dynamite. The House of Morgan, through the New York City Morgan commercial banks, controls 2,023 directorships in 1,765 other commercial banks and big corporations in divers parts of these United States. Take it from me. The wild and woolly Indians composing the 73rd Congress are already getting out a fine bunch of detonators for this particular stick—and many other sticks of dynamite that Frey delivered. One of the other sticks is this: Eight New York City commercial banks' directors hold 3,741 directorships in other banks and corporations.



The war-painted radicals are already beginning to talk about another investigation of the "money trust." I have been weeping over the troubles of the farmers, but now I am going to save my tears for the bankers. They may be in for slow torture by that wild-eyed Congress that is licking its chops, out there is the bushes, in anticipation of the special session. If I had as much influence with the banks as Tom Lamont has, they would soon be passing on some of that R. F. C. money. Things are happening these days—fast—; the future is being printed into history on powerful, fast presses.

If you don't know what I mean please recall the fact that those firm-jawed farmers of the great central valley have already bent the great insurance companies and other mortgage holders to their will. Practically all of them have quit foreclosing farm mortgages—and are proud of it. City folk haven't the nerve of farmers,—yet. But with or without legislative co-operation, we are getting into an indefinite moratorium, and perhaps even an actual scaling down of all debts. Country storekeepers are giving merry bill-cancellation bees. Insurance companies are now joining the embattled farmers in a general demand for Uncle Sam to hold the bag for agricultural liquidation. Meanwhile interest rates on debts are showing a wholesome tendency to come down.

Talking about farmers, there's a notable paucity of dirt farmers testifying before Congress committees in favor of the allotment bill for paying farmers more for producing less. One dirt farmer told a committee of Congress that it would work out as a measure for higher prices to consumers for increased production; that is, as applied to hogs—with other meats taking the market away from pork. Trouble with this farmer was that he owned 3,000 acres. Senators wanted to hear from the 160-acre farmers. It was explained that they didn't have the price of a ticket to Washington.

Roosevelt has 'em all buffaloed! Everybody who sees the President-elect thinks he is for what the caller favors. Inflationists count him as good as theirs, and the high priests of the gold dollar empregnable, swear that he will battle flood and fire before a grain is extracted from the dollar or one superfluous piece of currency issued . . . . O, lucky Hoover, your guardian angel did not desert you last November! . . . . White House correspondents tell me that the sage of Palo Alto has "youthed" ten years since the Great Defeat.

But although Roosevelt doesn't know it, he and I have a mutual friend, a man of great caution and eke veracity. Without saying anything in violation of confidence this grapevine tells me that Franklin D. is looking forward to the Presidency about as I look forward to pay-day. He considers that Congress will do his will, and do it gladly, even if it does burn a few fiery crosses on Capitol Hill for the edification of folks back home. Same friend says Franklin D. considers that he has such an opportunity to retrieve the Republic for the common people as Jefferson, Jackson, Lincoln, Roosevelt and Wilson had, and that—if he swore as Jackson did—he would say; "And by the Eternal I will do it." Maybe. Soft iron turns to steel with the aid of much heat and a little carbon. Frank will have them.

Didn't ever expect to see it again, but out in the country they are selling grand meals for 25 cents, and you can get a room with bath, American plan, for $1 a day. Honest, now, doesn't that sound better than $8 a day—and up?" This is no dream. Saw it with my own eyes last week-end, before I had a drop of Maryland "corn." Villages are filling up with routed urbanites. Now, I know the worst is over. Look for the beginning of the end about next July.

Au revoir,

DON.

Washington Journalist
York Broker

New York, February 7, 1933.

Dear Don:

I just cannot seem to get excited about your war-painted radicals in Congress and what they might do to the country. Granted that the Morgan firm through its commercial bank connections can stick its fingers into umpty-ump situations, I answer you "What of it?" Do you think for one moment that because of these octopus-like qualities the House on the Corner can make millions where other firms cannot? And do you believe that these affiliations, avenues of information, and other attributes have prevented the Morgan partners (that is to say most of them) from using liberal doses of red ink during these past few years?

Listen to me, young man. Tell those procrastinating, selfish and shortsighted legislators in your burg that they might spend less time trying to figure out sensational scandals which amount in the last analysis to less than nothing, and pay some attention to the Government expense account. I notice when it comes to reducing their own salaries they balk like old army mules.

Now to get away from your atmosphere, and into mine. Gloom sixteen inches deep has settled over our own little Wall Street. The demand for crying towels has suddenly jumped 1,000 per cent and brokers walk around with crepe in their buttonholes and lilies in their hands.

For three solid years we kept on looking for that Prosperity phantom, which was "just around the corner." Every time we made a mad rush to catch him, our foot would slip into a new hole, bigger and deeper than the last one. One thought kept us all alive and that was the feeling that in sixty or at the most ninety days, things would be "looking up." That's all past now. We are so tired of being picked up, only to be thrown down harder than ever before, that we are now resigned to a comfortable place on the floor. We don't want to get up until we can stay up for keeps.

I tell you the boys around here are so shell-shocked, and have lost their perspective, not to mention eyesight, that they cannot see the top of the Empire State Building on a clear day, and even if standing right in front of it, they would be looking the wrong way.

Has it ever struck you that mass psychology when applied to Wall Street, has a perfect record? You will find it 100 per cent wrong. I'll just go back a little way and ask you to remember a few things in recent financial history to prove my point.

What are the rank and file who still have some interest in securities doing? Putting their money into Liberty bonds. What class of stocks is being favored in world speculation, here, London, Toronto and Johannesburg? The gold mining stocks. Why? Because the public can understand only one thing. Gold is understandable. Liberty bonds are understandable.

Did the public buy Liberties and gold mining stocks in 1929? They did not. They bought industrial shares. Now they are buying Liberties and gold mining shares, when they should be gradually buying a diversified list of stocks.

What did the public ask for in the Spring of 1930 after the 1929 panic? They looked around for depression proof stocks, and selected the utilities, food and amusement stocks. The depression would not hurt them. Were they right? You tell me!

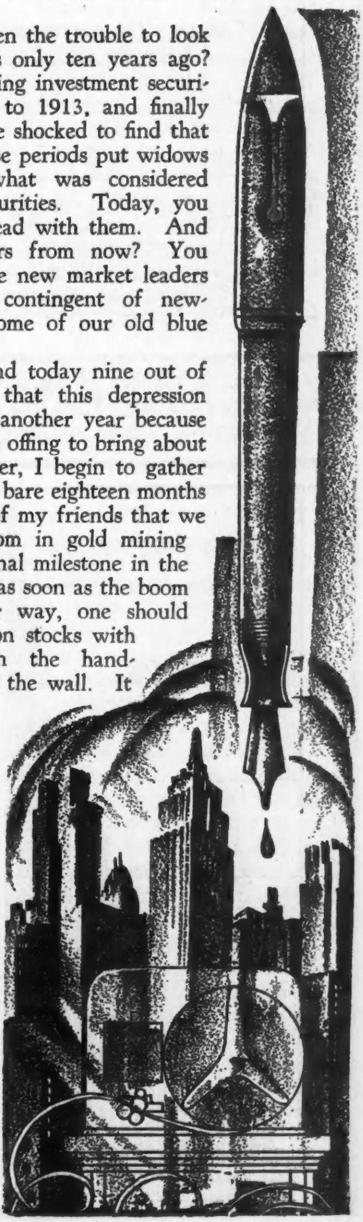
Have you ever taken the trouble to look back to 1923, that is only ten years ago? Pick out the ten leading investment securities! Then go back to 1913, and finally to 1903. You will be shocked to find that the best minds of those periods put widows and orphans into what was considered prime investment securities. Today, you wouldn't be found dead with them. And what about ten years from now? You mark my words. The new market leaders will have generous contingent of newcomers supplanting some of our old blue chips.

And so, when I find today nine out of ten men telling me that this depression may continue on for another year because there is nothing in the offing to bring about a change for the better, I begin to gather hope and courage. A bare eighteen months ago I wrote to some of my friends that we must wait for a boom in gold mining shares to mark the final milestone in the depression, and that as soon as the boom was earnestly under way, one should begin to buy common stocks with assurance, for then the handwriting would be on the wall. It has been so in the past. It will be so in the future.

What an opportunity to buy America's best at ten cents on the dollar. I know of some very successful banking groups which have been picking up their favorite issues for more than three months. They must be smart, because they think the way I do.

Yours for the golden dawn,

Perry.

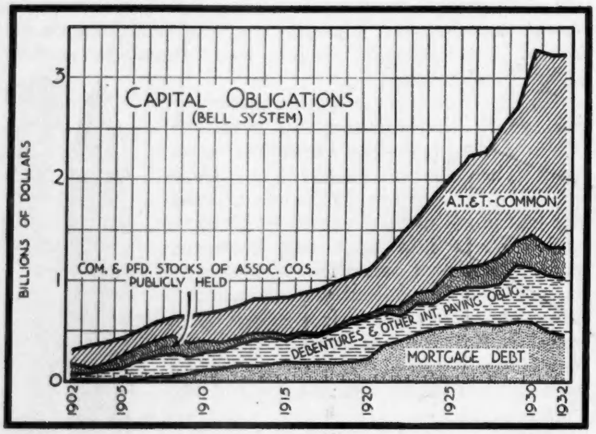


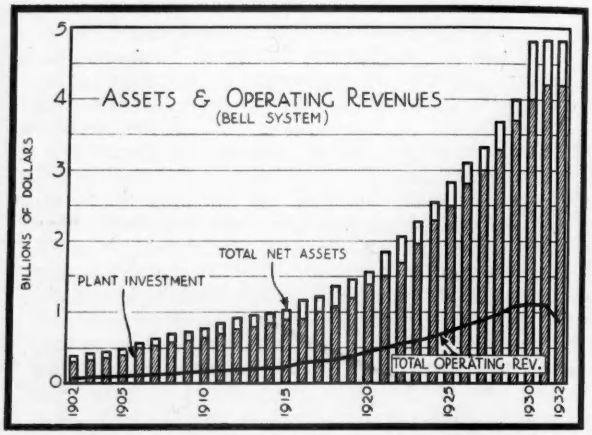
Thirty Years With A. T. & T.

A Graphic Study of the Most Widely Held Common Stock

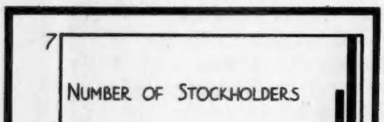
By Warren Beecher

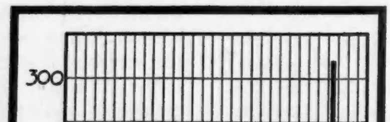
The rate at which growth in total assets has increased is highly favorable when compared to the rate of increase in total capital obligations. A sound policy in financing expansion is notable; yet in this connection it should also be observed that investment in plant has materially outrun gains in revenue from operations.

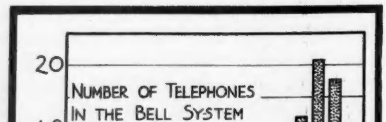




The increasing number of common stockholders attests the wide investment regard for this issue. Large distribution has progressed despite the drop in value during the market decline and the sharp decrease in telephones connected during the past two years of the depression with the attendant drop in earnings.







BONDS

Bond Market in Waiting Attitude

Early Year Strength Gives Way to Apathy—Utilities Reflect Rate Uncertainties—Rails Hold

By J. S. Williams

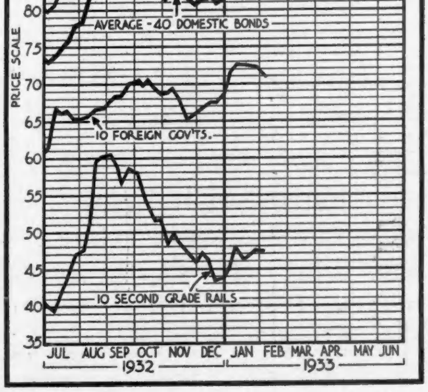
THE current movement of the bond market is irregular, narrow and inactive. Indeed, the last four weeks have failed to indicate anything more than a waiting attitude in most groups, following the culmination of the sharp rally which ushered in the new year. Speculative and second grade bonds match the stock market in apathy, lacking any fresh light on the business prospect. Most high grade investment issues have reacted a point or two below previous best prices of the year.

The performance of utility bonds, which on the average have constituted the strongest group in the market throughout the depression, is of especial interest at this time in view of the recent reactionary trend of utility stocks and of widespread conjecture as to possible reductions of service rates and more stringent governmental regulation.

The evidence afforded by the index of electric power production shows that public utility gross revenues are continuing on a downward trend. For almost all utility companies this, as is well known, has resulted in a reduction in the net earnings available for junior securities after allowing for fixed charges which are subject to no economies.

It is obvious that a continued decline in gross revenues from this point would react unfavorably not only upon utility stocks but upon some medium grade bonds, especially those of holding companies. In this situation reduction of service rates, already cropping out in some localities and subject to considerable public and political agitation, would further curtail profits. In the case of standard investment bonds, however, especially those of the more important operating companies, the essential fact is that even under present economic conditions interest charges are relatively generously covered in comparison with those of the average industrial or railroad corporation. Their steady market tone suggests that informed investors see no reason to be alarmed about the prospect. While in a psychological sense recent proposals for vast Federal Government experiments in power production and distribution, with the objective of forcing down rates of private companies, are unfavorable, such developments, if they ever work out, are for the longer future and should not unduly concern the present values of sound utility bonds.

The foreign bond list has provided the only trace of excited action in recent trading and this has been confined to the German issues. The response of German Government 5½s and 7s to appointment of the makeshift Hitler cabinet was a reaction of nearly 10 points but second thought has apparently appeased this alarm to a considerable extent, due to the evident restrictions with which President von Hindenburg has surrounded Hitler's power, and at the present writing most German dollar bonds have recovered a substantial part of their reaction.



On the basis of the outcome of the Lausanne Conference and the virtual ending of reparations payments, there are strong grounds for believing that German dollar bonds in this market have made their permanent low. Nevertheless, these issues remain highly speculative under the prevailing conditions of political uncertainty afflicting Germany. That uncertainty would be vastly increased once the firm hand of von Hindenburg were removed from the reins of control.

The best rail bonds continue to hold within striking distance of previous highs. While there has been scant change in the general level of speculative rails, there appears at least to have been some relaxation of the more extreme fears with which they were regarded a few months ago. This is due in part to moderate improvement in net earnings, reflecting both operating economies and a traffic volume materially above the lowest of last year, and in part to growing hopes that solution of the railway problem will be eased both by the proposed revision of the Federal bankruptcy laws and by fairer and more intelligent regulation of all interstate transportation under the new political Administration.

New financing remains at low ebb, although genuinely choice offerings recently have met with instant response from institutional investors. Thus a $12,000,000 issue of Cincinnati Union Terminal 5s at par resulted in a rush of buying.

The Magazine of Wall

THE MAGAZINE OF WALL STREET'S Bond Appraisals of active and important bonds is presented in two parts. The sections alternate with appropriate alterations and additions, so that holders and prospective buyers of bonds may be constantly informed as to the effect of developments in the largest number of issues.

It is naturally understood that all the issues mentioned do not constitute recommendations, although the relative merit of each is clearly indicated. For those, however, who desire to employ their funds in fixed-income-bearing securities, we have "starred" those which appear to us currently the most desirable on an investment basis. Generally, commitments should be assumed in accordance with the discussion on the previous page.

Inquiries concerning bonds should be directed to our Personal Service Department.

Railroads

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned† 1931	Fixed Charges times earned† 1932E	Price Call‡	Price Recent	Yield to Maturity	COMMENT
Atlantic Coast Line								
1st Cons. 4s, 1952	154	51	1.3	.2	N C	76	6.1	Fairly well secured.
Gen. Unif. "A" 4½s, 1964	154	34	1.3	.2	N C	52	9.2	Junior to 1st. Cons. 4s.
A. C. L. RR. Louisville & Nashville Coll. Tr. 4s, 1952	154	35	1.3	.2	105	53	9.3	Secured by 596,700 shares of L. & N. RR. currently worth $30 a share.
Baltimore & Ohio R. R.								
1st 4s, 1948	623	157	1.1	.8	105	85	5.5	Loss of earning power and great size of issue depressing influences.
Ref. & Gen. "A" 5s, 1995	623	125	1.1	.8	105	42	11.9	Junior to 1st 4s. Hardly investment caliber.
Conv. 4½s, 3.1.33	623	63	1.1	.8	102½	67	..	Offering 50% cash, 50% Ref. & Gen. 5s. Proposal seems fair.
30-yr. Conv. 4½s, 1960	623	63	1.1	.8	105 '36*	33	14.3	Unsecured. Speculative.
Southwestern Div. 5s, 1950	623	45	1.1	.8	105 '45*	70	8.3	Fairly well secured only.
Pitts., L. E. & W. Va. Syst. Ref. 4s, '41	623	53	1.1	.8	100	74	8.6	Medium grade.
Toledo-Cin. Div. 1st & Ref. 4s, 1959	623	23	1.1	.8	102½	55	8.2	Entitled to no more than fair rating.
Chesapeake & Ohio								
★1st Cons. 5s, 1939	224	30	3.5	3.1	N C	105	3.9	First mortgage on the best part of the system. Highest grade.
Gen. 4½s, 1992	224	50	3.5	3.1	N C	100	4.5	Subject to some $42 million prior liens.
Ref. & Imp. 4½s, 1995	224	35	3.5	3.1	110*	92	4.9	Subject fairly large prior liens, but sustained earnings reassuring.
Chicago, Milwaukee, St. Paul & Pac R. R.								
Gen. "A" 4s, 1989	474	139	.7	.1	N C	45	9.0	No more than fairly strong, though undisturbed last reorganization.
50-yr. "A" 5s, 1975	474	106	.7	.1	105*	19	..	Junior to the large general mortgage.
Conv. Adj. 5s, 2000	474	183	.7	.1	105	5	..	Thoroughly speculative.
Chicago, Rock Island & Pacific								
Gen'l 4s, 1988	316	99	1.0	.3	N C	64	6.4	Current prices appear to discount any possible disturbance in the event of receivership.
Sec. "A" 4½s, 1952	316	40	1.0	.3	102½*	23	..	Secured by pledge $45 million 1st & Ref. 4s.
1st & Ref. 4s, 4.1.34	316	163	1.0	.3	N C	25	..	Will probably require Government help to meet this maturity.
Conv. 4½s, 1960	316	32	1.0	.3	105 '36*	13	..	Unsecured by mtge. Weak issue.
Burl. C. Rap. & N Cons. 1st 5s, 4.1.34.	316	19	1.0	.3	N C	50	..	Reasonably strong, but maturity may present difficulties.
R. I. Arkansas & L. 1st 4½s, 3.1.34	316	11	1.0	.3	105	22	..	Trackage is comparatively unimportant.
St. P. & K. City Short Line 1st 4½s, 1941	316	10	1.0	.3	105	36	..	Must now be considered speculative.
★Kansas City Terminal 1st 4s, 1960	50	50	..	..	105	94	4.4	Guaranteed by 12 roads, including the Atchison, the Burlington and the U. P.
Lehigh Valley R. R.								
1st Cons. 4s, 1948	90	5	.7	.5	N C	88	5.2	Sound, well-secured issue.
Cons. 6s, Irredeemable	90	13	.7	.5	N C	108	5.6	Junior to isue above.
Gen. Cons. 4s, 2003	90	86	.7	.5	N C	35	11.4	Speculative under present conditions.
Lehigh Valley Rly. 1st 4½s, '40	15	15	.7	.5	N C	69	..	Medium grade.
Lehigh Valley Term. Rly. 1st 5s, '41	10	10	.7	.5	N C	91	6.5	Pledged property is very valuable.
Lehigh Val. Harbor Term. Rly. 1st 5s, '54	10	10	.7	.5	105 '44*	80	6.8	Better grade.
Southern Pacific Co.								
San Franc. Term. 1st 4s, 1950	679	25	1.5	1.0	105	80	5.9	Well-secured issue.
Oregon Lines 1st "A" 4½s. 1977	679	61	1.5	1.0	105*	68	6.8	Medium grade under present conditions.
Central Pacific Coll. 4s, 1949	679	37	1.5	1.0	100	54	9.7	Hardly investment caliber.
40-year Deb. 4½s, 1969	679	148	1.5	1.0	105 '34*	50	9.4	Unsecured. Somewhat speculative.
Central Pacific Rly. 1st Ref. 4s. 1949	679	90	.5	..	N C	83	5.6	Interest coverage off sharply.
Through S. L. 1st 4s, 1954	679	10	.5	..	107½	80	5.6	Better grade.
European Loan 4s, 1946	679	48	.5	..	100	..	..	Principal market Paris. Medium grade.
35-year Guaranteed 5s, 1960	679	40	.5	..	105 '35*	61	8.8	None too strong.
San Antonio & Aransas Pass. 1st 4s, '43.	679	17	1.5	1.0	N C	63	9.9	Now medium grade.
Southern Pacific R. R. 1st 4s, '55	679	144	1.5	1.0	105	78	5.8	Reasonably strong investment issue.

Public Utilities

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned† 1931	Fixed Charges times earned† 1932E	Price Call‡	Price Recent	Yield to Maturity	COMMENT
Alabama Power								
1st 5s, 1946	97	71	2.0	1.7	105	97	5.3	Better grade investment issue.
★1st lien & Ref. 5s, 1951	97	61	2.0	1.7	104¾*	90	5.8	Pledge of 1st 5s gives this issue virtually same security.
1st & Ref. 4½s, 1967	97	63	2.0	1.7	101½*	77	6.1	$37 mil. 1st lien & Ref. 5s pledged under this issue.
Appalachian Elec. Pwr. 1st & Ref. 5s, 1956	85	63	2.0	..	104½*	94	5.4	Better grade holding.
Arkansas Power & Light 1st & Ref. 5s, '56	35	33	2.2	..	105*	87	6.0	Sound medium grade issue.

Street's Bond Appraisals

Public Utilities (*Continued*)

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned† 1931	Fixed Charges times earned† 1932E	Price Call‡	Price Recent	Yield to Maturity	COMMENT
★Bell Telephone of Pennsylvania 1st & Ref. "C" 5s, 1960	97	85	2.8	..	100 '57	110	4.4	Impressive earnings record—high grade.
Brooklyn Edison Gen. "A" 5s, 1949	67	56	6.2	5.1	105	106	4.5	High grade investment issue.
Cincinnati Gas & Elec. 1st "A" 4s, 1968	35	35	5.4	..	100	99	4.0	Columbia Gas controls—highest grade.
Columbus Rly. Pwr. & Lt.								
1st & Ref. "A" 4½s, 1957	25	19	4.1	3.0	105*	96	4.8	Better grade investment issue.
Conv. 5½s, 1942	25	5	4.1	3.0	105*	105	4.8	Security similar to issue above.
★Commonwealth Edison 1st "F" 4s, 1981	180	175	3.3	..	105*	91	4.5	Strong investment issue.
Con. Gas of New York								
Deb. 4½s, 1951	368	340	4.9	4.0	106*	101	4.2	Unsecured obligation of a strong company.
Westchester Lighting 1st 5s, 1950	22	9	4.9	4.0	N C	109	4.2	Highest class.
N. Y. & Westchester Ltg. Gen. 4s, 2004	22	10	4.9	4.0	100	98	4.1	Junior to West. Lighting 1st 5s.
Dayton Power & Light 1st & Ref. 5s, '41.	20	19	3.9	..	105*	106	4.1	Sound investment issue.
Detroit Edison Gen. & Ref. "D" 4½s, 1961	134	134	2.9	2.1	105 '41*	98	4.4	Coverage off somewhat, but still strong bond.
Duke-Price Power 1st 6s, 1966	36	36	1.2	..	105¼*	53	11.8	Considerable uncertainty attaches to the status of this issue.
Houston Ltg. & Pwr. 1st Lien & Ref. "A" 5s, 1953	28	28	2.3	..	104*	101	4.9	Sound issue.
Idaho Power 1st 5s, 1947	13	13	2.8	..	105	102	4.8	Better grade investment.
Indianapolis Power & Lt. 1st "A" 5s, 1957	38	38	2.5	2.4	104*	97	5.2	Reasonably safe holding.
Interstate Power								
1st 5s, 1957	36	29	1.4	..	105*	57	9.6	Prior in lien to issue below.
Deb. 6s, 1952	36	7	1.4	..	104*	35	..	Speculative.
★Kansas City Power & Light 1st 4½s, 1961.	41	41	4.0	3.4	110*	105	4.2	High grade investment.
Koppers Gas & Coke Deb. 5½s, 1950	54	44	1.9	..	103½	81	7.5	Medium grade.
Louisiana Pwr. & Lt. 1st 5s, 1957	18	18	3.1	..	105*	89	5.9	Reasonably sound. Recent earnings off.
Milwaukee Gas Light 1st 4½s, 1967	14	14	2.9	..	107½*	101	4.5	Sound investment issue.
Milwaukee Elec. Ry. & Light Ref. 1st (now 1st) 5s, 1961	64	64	1.9	1.5	103¾*	77	7.9	Only fairly strong.
Minnesota Pwr. & Lt. 1st & Ref. 4½s, 1978	36	29	2.1	..	102*	77	5.9	Medium grade.
Nevada-Cal. El. 1st Tr. 5s, 1956	31	28	1.4	1.3	102½*	63	8.7	Represents large proportion of total debt.
New England Power 1st 5s, 1951	11	11	3.0	..	105	104	4.7	Strong, well-secured issue.
★New England Tel. & Tel. 1st "B" 4½s, '61	88	75	3.1	2.5	100 '52	106	4.1	Gilt-edged.
N. Y. Power & Light 1st 4½s, 1967	67	66	2.7	..	105*	98	4.4	Reasonably good investment issue.
New York Steam 1st 5s, 1951	28	28	2.7	1.9	105*	103	4.7	Open mortgage. Better grade.
Niagara, Lock. & Ont. Pr. 1st & Ref. 5s, '55	25	19	2.4	..	105*	105	4.6	Of good investment caliber.
North Amer. Lt. & Pr. Deb. "A" 5½s, '56	193	18	1.3	1.1	102½*	42	14.0	None too strong holding co. obligation.
Penn. Central Lt. & Pwr. 1st 4½s, 1977	28	28	2.4	..	105*	80	5.7	Receivership of parent co. adverse influence
Southwestern Bell Tel. 1st & Ref. 5s, '54.	51	49	5.8	4.7	105 '34*	107	4.5	High grade issue.
Toledo Edison 1st 5s, 1962	28	28	3.5	3.1	105*	96	5.3	Better grade.

Industrials

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned† 1931	Fixed Charges times earned† 1932E	Price Call‡	Price Recent	Yield to Maturity	COMMENT
American International Conv. Deb. 5½s, '49	14	14	..	..	105	75	8.4	Asset value about $1250 on 12.31.32.
Am. Smelting & Refining 1st "A" 5s, 1947	36	36	1.5	def	100	86	6.5	Demoralization of metal markets an adverse factor.
Bethlehem Steel Corp.								
P. M. 6s, 1998	136	8	1.0	def	N C	100	6.0	Strong underlying issue.
1st Lien & Ref. 5s, 1942	136	25	1.0	def	105	85	7.3	{ High grade under normal conditions.
P. M. & Imp. 5s, 7.1.36	136	25	1.0	def	105	90	8.8	{ Now affected by lack of earnings.
Midvale Steel & Ordinance 5s, 3.1.36	136	33	1.0	def	105	96	6.5	High caliber lowered by poor business.
Pacific Coast Steel 5s, 1933/1940	136	10	1.0	def	100	..	..	Unsecured by mtge. Guar. Beth. Steel.
McClintic Marshall Col. Tr. 5½s, 1932/'37	136	10	1.0	def	102½	..	..	Reasonably strong.
Illinois Steel Deb. 4½s, 1940	30	19	3.4a	def a	105	101	4.3	a U. S. Steel's earnings, guarantor.
Inland Steel 1st "A" 4½s, 1978	42	42	1.7	def	102½*	80	5.8	Strong industrial issue.
Lehigh Coal & Navig. Cons. "A" 4½s, 1954	23	20	3.2	3.1	105	89	5.1	High grade issue.
Penn-Dixie Cement 1st "A" 6s, 1941	10	10	def	def	103*	46	..	Business has gone from bad to worse.
Std. Oil Co. (N. J.) Deb. 5s, 1946	173	90	3.2	..	102*	105	4.5	Industrial issue of the highest class.
Wheeling Steel 1st & Ref. (now 1st) "B" 4½s, 1953	30	30	def	def	102½*	47	10.7	Bordering upon the speculative under present conditions.
Western Electric Deb. 5s, 1944	35	35	3.3	..	105 '34*	101	4.9	Strong issue, though company lost money 1932.

Short-Term Issues

Company	Due date	Amount of this issue (mil'ns)	Fixed Charges times earned† 1931	Fixed Charges times earned† 1932E	Price Call‡	Price Recent	Yield to Maturity	COMMENT
Consumers Power 1st & Ref. 5s	1.1.36	33	3.8	3.0A	105	106	2.9	Exceedingly high grade issue.
★Cumberland Tel. & Tel. Gen. 5s	1.1.37	15	3.7m	..	N C	106	3.4	m Earnings Sou. Bell Tel. assuming co.—Highest grade.
Edison Electric Ill. (Bos.) Notes 5s	5.2.35	125	3.2	..	101*	102	3.9	Company enjoys a fine credit standing.
Great Northern Power 1st 5s	2.1.35	7	..	..	110	100	5.0	Reasonably sound issue.
★San Fran. Gas & Electric Gen. 4½s	11.1.33	5	2.4r	2.3r	N.C	101	3.5	r Earnings Pacific Gas. Highest grade.
Texas Power & Light 1st 5s	6.1.37	25	2.0	..	105	102	4.4	Safe investment.
Third Avenue R. R. 1st 5s	7.1.37	5	1.9	..	N C	90	8.0	Among the stronger traction issues.

★ Our preferences in above list. † Fixed charges time earned is computed on an "over all" basis. In the case of a railroad, the item includes interest on funded and other debt, rents for leased roads, miscellaneous rents, etc.; in the case of a public utility it includes interest on funded and unfunded debt, subsidiary preferred dividends, minority interest, etc. ‡ An entry such as 105 '36 means that the bond is not callable until 1936 at the price named. * Indicates that the issue is callable as a whole or in part at gradually decreasing prices. E Estimated. A Actual earnings.

Why Did D. & H. Buy Into N. Y. Central?

Bold Stroke of Loree May Have Interesting Results for Both Roads

By Pierce H. Fulton

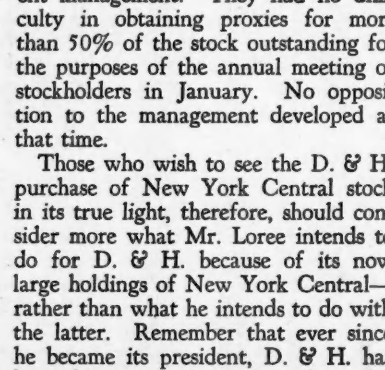
DREAMS and rumors come true, sometimes, even in Wall Street. The purchase by the Delaware & Hudson Co. of approximately 500,000 shares of New York Central stock represents the fulfillment of a dream after 3½ years, and the vindication of numerous and persistent rumors over a period of six months.

The dreamer in this instance is the venerable (he will be 75 in April) railway executive, buyer and seller of railroad shares, L. F. Loree. Because in the last few years of his active railroad career, covering more than half a century, he has so often "upset the apple cart" in that part of the railroad world that has constituted his stamping ground, Mr. Loree has been dubbed frequently "The Stormy Petrel of the Railroad World."

Upon the very personal characteristics that caused him to be so dubbed, hang the events that make up the most dramatic and important part of his career. Mr. Loree is a man possessed of a multiplicity of ideas and unbounded ambition. In recent years both have crystallized in the one idea and word "CONSOLIDATION." It is because of consolidation in the broadest sense that he has gone into the many striking and spectacular railroad deals, among which the quiet acquisition of a 10% interest in New York Central for the D. & H. is the most recent. He says himself that he made the purchase to protect the D. & H. "in future consolidation negotiations."

Since he made the announcement of his seemingly sensational deal all sorts of guesses have been made as to whether he had control and if so, what he was going to do with New York Central. There is, however, nothing to show that Mr. Loree has such control. On the other hand, there is everything to indicate that he has not, either in stock ownership or in management. This idea is likely to become clearer as time goes on. The 20 largest stockholders of New York Central had, in the aggregate, more than 1,000,000 shares before he began buying. They are in the saddle and behind the present management. They had no difficulty in obtaining proxies for more than 50% of the stock outstanding for the purposes of the annual meeting of stockholders in January. No opposition to the management developed at that time.

Those who wish to see the D. & H. purchase of New York Central stock in its true light, therefore, should consider more what Mr. Loree intends to do for D. & H. because of its now large holdings of New York Central—rather than what he intends to do with the latter. Remember that ever since he became its president, D. & H. has been his pet and chief medium for spectacular railroad deals, except when he switched to the southwest area and went into Kansas City Southern, Missouri-Kansas-Texas and St. Louis Southwestern.



Blank & Stoller Photo.

L. F. Loree

In his formal statement Mr. Loree said that he bought New York Central "for an investment." When railroad consolidation in the Eastern territory is taken up actively again it will be in behalf of and through D. & H. that he will act.

In the meantime it remains to be seen what return, if any, he will get for D. & H. stockholders on his "investment" of $10,000,000 of their money in a stock that is not earning or paying a dividend and that is not likely to for several years. Loree expects Central to be among the first roads to recover but resumption of any dividend can hardly occur before the ability is shown to take up deferred maintenance and to pay off or fund at least, $85,000,000 of short-term loans. Consolidation likewise will be governed by better earnings, a stronger credit position and higher prices for the shares of all the companies involved in the proposed plan for putting the important railroads east of the Mississippi into four gigantic systems.

It may be stated parenthetically that those who are closest to this situation do not expect that it will be possible to do anything actively about it inside of two or three years. It has been informally agreed by the executives of the four large systems to forget about consolidation until the business and railroad situations change very materially for the better.

If, before consolidation is taken up again in the East, New York Central stock should double the average price of $20 a share that Mr. Loree is supposed to have paid for his 500,000 shares, he could sell out if the market would take that much stock—and make a profit of around $10,000,000 for D. & H. stockholders. This might re-

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Failure of Production Control Overshadows Oil Outlook

What Course Should Be Followed in Petroleum Investments?

By RONALD P. HARTWELL

MORE subject to quick change than any other industry, the oil industry in recent weeks has seen a collapse of the improving trend evident during the greater part of 1932 and, entering a new year which had been regarded with high and apparently justified hopes, is once more confronted with seriously unsettled conditions of production and price.

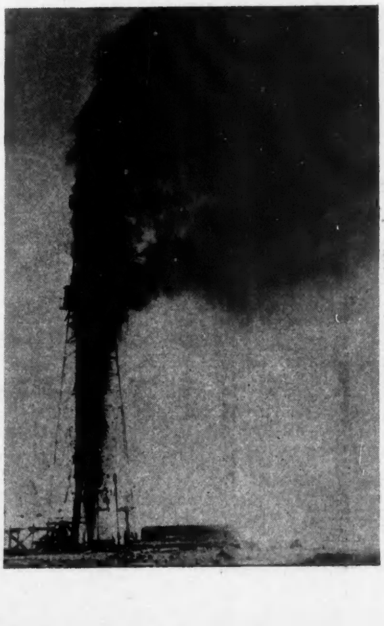
In this relapse of an industry which only a few months ago appeared to offer tangible evidence of a basic turn from depression to recovery a variety of factors are involved. In general, however, it now appears that in the face of a declining consumption of gasoline and a deepening of economic depression the progress that was made in controlling production through proration during 1932 and the resultant substantial increase in crude oil prices merely served to defeat themselves.

It is perhaps too early to say that proration under individual State laws —the only method available as long as the Federal anti-trust laws block any national plan of control—has broken down. It may be that the State laws and enforcement of them can be tightened up under the spur of necessity. Efforts along this line have already been stimulated by the spectacle of falling oil prices, as well as by a decision of the Supreme Court of Oklahoma upholding the power of the State Corporation Commission to shut down oil wells violating the curb on production and by at least a minor victory, in a Texas Federal Court, for the cause of proration.

The present condition of the oil market, however, strongly suggests that proration under State laws, at least under the existing stress of acute depression, offers no very convincing promise of providing an effective remedy for the troubles of the industry.

At any rate, whatever the developments of the future as regards present or new efforts at artificial control of production, we now find the industry falling back on the only regulator of the balance of supply and demand that has ever worked in the past—namely, price itself. When conditions were at their worst in July, 1931, crude oil sold as low as 15 or 20 cents a barrel. The natural effect of such disastrous prices, plus proration of a kind in the Texas field which had been chiefly responsible for the glut of oil, was to cause a rebound.

Prices had recovered to 69 cents a barrel by the start of 1932 and there was further improvement during the year, a price of 98 cents being reached by October. In that month various independents marked up prices of mid-continent crude to $1.04 and $1.12 per barrel. Leading purchasers, including Standard Oil of New Jersey and Standard Oil of Indiana, refused to go along with this movement. Their judgment was soon confirmed as gasoline prices began to weaken in various localities. By mid-December an orgy of price cutting was underway in crude oil quotations. Through a succession of cuts, crude oil recently has sold under 50 cents a barrel in many fields. Whether present prices may be taken as a reliable indication of the trend for the year remains to be seen. The seasonal expansion of demand for gasoline this spring may throw some light upon the question, but this demand is directly affected both by the continued curtailment of purchasing power among automobile users, present and potential, and by the continued increase in sales taxes imposed upon gasoline.



The average price of mid-continent crude in 1931 was approximately 57 cents a barrel and on this basis operations of the industry as a whole were badly in the red. The average mean price for 1932 was 81 cents, resulting in substantial improvement in earnings and in favorable inventory adjustments. From these figures, which have little apparent relation to the statistics of crude oil and gasoline actually in storage at present, it is obvious that continuation of existing price levels would mean a considerable impairment of the industry's aggregate earning power, as compared with that of 1932.

Last year's domestic consumption of gasoline was approximately 8 per cent under that of 1931. This is a small recession, as compared with the reduced consumption of most other products, but in a market so beset by internal competition and by a marked conflict of economic interests between different companies and groups it is important. There has been a much sharper decline in consumption of lubricating oils. This product is a much smaller factor than gasoline, as regards volume, but it has long been the "money crop" for many refiners.

A significant aggregate increase in consumption of gasoline and lubricating oil this year, aside from mere seasonal gain this spring and summer, becomes increasingly dependent upon a

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Semi-Annual Dividend Forecast

Part II—Steel, Metals, Automobiles, Petroleum, Chemicals, Food, Merchandising

Two fundamental factors, the industry and the company itself, are used to form our ratings. The letters A, B, C and D are applied in rating the industry; and the numerals 1, 2, 3 and 4 in rating the position of the company in that industry. Thus:

INDUSTRY	COMPANY
A—In a strong and expanding position.	1—Expanding operations; dominant in field; strong financially.
B—In a fairly strong and stable position.	2—Good potential earnings; important company; good financial position.
C—Temporarily depressed but prospects moderately favorable.	3—Earnings still relatively low; fair financially; business volume moderate.
D—Depressed; declining profits; no signs of nearby improvement.	4—Doutful outlook; weak financial position; unprofitable operations.

THE bear market in securities has now lasted for more than three years. Viewing the record of dwindling earnings receiverships, curtailed and passed dividends, the unprejudiced cannot for a moment contend that the decline in prices has been unjustified. Many great companies would be bankrupt but for the Government's aid. The public's purchasing power on which so much depends has been reduced. Commodity prices in general are at, or close to, the lowest levels of the depression. The country as a whole is overburdened with debt of a hundred kinds, and more is being created.

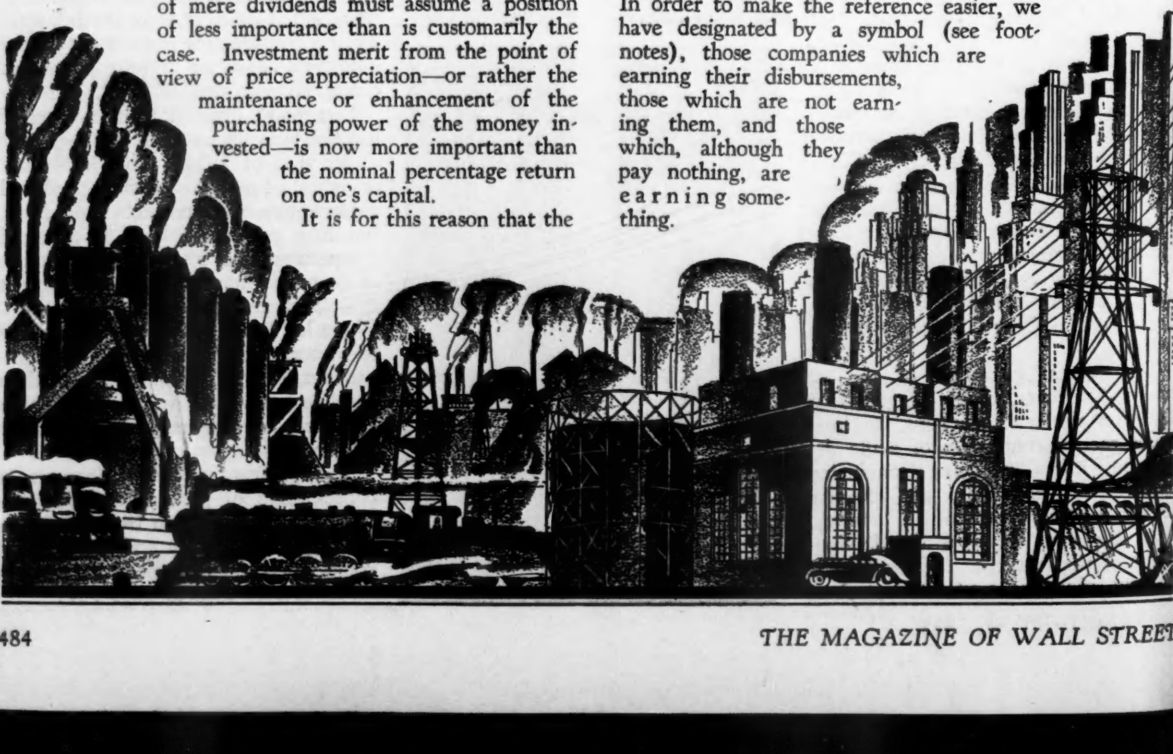
Under these conditions the problem of successful investment is more difficult than ever. Yet, though the individual now fears less for the safety of his invested capital and more for the safety of his currency, there is no reason for him to abandon himself to whatever may befall. Once the various menaces are recognized, much progress has been made and it is possible to take counteracting steps.

As always, common stocks are deserving of attention on the part of any man who desires to maintain the purchasing power of his capital under every and all conditions.

It is, however, quite apparent at this time, when the value of the monetary unit is in some doubt, that the question of mere dividends must assume a position of less importance than is customarily the case. Investment merit from the point of view of price appreciation—or rather the maintenance or enhancement of the purchasing power of the money invested—is now more important than the nominal percentage return on one's capital.

It is for this reason that the following forecast, concentrating as it does on the investment merit of many important companies as well as upon their probable dividend action, is so vital. Looking at it from this broader point of view, the investor will find the tables of real value. His investment program undoubtedly demands that part of his funds be placed in common stocks. Issues actually owned at the moment can be appraised for their right to hold their position in his portfolio. New issues can be selected on the basis which to him seems the best, taking into consideration his individual needs and objects. While it is impossible to reduce any system of ratings to an exact science, the one we have devised will be found valuable within its inherent limits for the aid which it gives in appraising the position of the different industries and the position of the various companies in that industry.

The more conservative investor will find his requirements also amply met in the tables. Should the receipt of some return be one of his essential requirements, the dividend currently being paid and the likelihood of its continuance also is shown clearly. Those for whom a return is important, however, will do well to remember that in general no unearned dividend can be considered wholly safe, regardless of what appears in an impregnable financial position. In order to make the reference easier, we have designated by a symbol (see footnotes), those companies which are earning their disbursements, those which are not earning them, and those which, although they pay nothing, are earning something.



Steel Outlook Continues Dubious

THE recent reduction in the dividend on United States Steel preferred serves to focus attention on the adverse period through which the industry is passing. Last year was the worst in history. Ingot production was about on a par with 1901, while operations for the country as a whole averaged less than 20% of capacity. A glance at the accompanying table will show with what lack of financial success individual companies combated these conditions.

Nor is there much justification for supposing that the forepart, at least, of 1933 will register any phenomenal improvement. There will, of course, be some seasonal upturn this Spring and, in all probability, next Autumn as well. But there is nothing as yet in sight to lead to the belief that the industry will reattain a profitable status this year.

At the present time, the automobile is the mainstay of what little steel business there is. There are, however, indications that automobile production will slow up somewhat this month compared with the high rate of production in January. Dealers are stocked up, the public has viewed the new models, and the manufacturer must now sit back and see what kind of reception they are given. This applies to the industry with the exception of Ford, who is not yet in full swing and whose increasing activity will be an offsetting factor to the dullness in the rest of the industry. Whether the automobile will have a better year this year than last is much less a question of desire—as many manufacturers seem to think—than it is a question of the public being able to pay for that desire. The prospect for any marked increase in public purchasing power over the near-term is not a bright one and it is therefore unlikely that the steel industry will find a savior for its troubles in this direction.

While a deferred demand for steel has been built up on the part of the railroads they too are suffering from a lack of money—or rather a lack of their own money—with which to fulfill their needs. The railroad situation will have to show considerably greater improvement than has been shown over the past few months before the carriers can be expected to begin ordering steel in normal quantities.

Steel entering into construction is being bolstered by Government aid. Yet this alone is far from sufficient to offset the stagnation of private enterprise. There is now an excessive supply of large steel frame buildings, which must be absorbed before a reasonable rate of activity can be resumed.

It is probably to metal containers and miscellaneous demand that the steel industry must look to carry it through a further difficult period and it can only be hoped that an extension of the unsettlement which prevails in the price situation does not make the period more difficult than it would otherwise have been.

Position of Leading Steel Stocks

Company	Earned per Share		Price Range —1932—		Recent Price	Dividend $	Yield %	Market Rating	COMMENT
	1931	1932E	High	Low					
American Rolling Mill	def	def	18½	3	8	...	..	D-3	Despite many drastic economies, needs better general business to emerge from the "red."
Bethlehem Steel	nil	def	29⅝	7¼	14	...	..	D-2	From present indications common dividends are a long distance away.
Byers, A. M.	nil a	def a	24⅝	7	12	...	..	D-3	Has some attraction as a long-term speculation on future recovery.
Colorado Fuel & Iron	def	def	14⅞	2⅞	5	...	..	D-4	Possesses only remote speculative possibilities.
Crucible Steel	def	def A	23¼	6	13	...	..	D-3	General improvement needed to enlarge the market for special steels and benefit this company.
Gulf States Steel	def	def	21⅛	2½	9	...	..	D-4	A hard hit Southern enterprise. Near-term outlook dubious.
Inland Steel	1.05	def A	27⅞	10	13	...	..	D-2	Well integrated. Should be among the foremost to reflect general improvement.
★McKeesport Tin Plate	6.51	4.10	62¼	28	50	4.00	8.0	C-2	Tin plate prices recently reduced. While current dividend not wholly assured, company should continue to do fairly well.
★National Steel	2.06	.77 A	33⅞	13½	20	.50	2.5	D-2	Of important out-and-out steel cos., the only one which showed anything earned on common last year. Yet dividend no more than reasonably safe.
Otis Steel	def	def	9¼	1¼	3	...	..	D-4	Has little attraction even as a speculation.
Republic Steel	def	def	13⅞	1⅞	6	...	..	D-4	Boom period merger with only extremely long-term speculative possibilities.
■ U. S. Pipe & Foundry	.49	def A	18⅛	7¼	8	.50	6.3	D-3	Four more quarterly dividends declared. Beyond this disbursements depend upon conditions.
U. S. Steel	nil	def A	52⅝	21¼	27	...	..	D-2	Reduction of dividend on preferred makes disbursements on the common still more remote.
Youngstown Sheet & Tube	def	def	27½	4	3	...	..	D-3	Losses have been huge. Radical speculation only.

★ Paying and earning dividend. ■ Paying, but *not* earning dividend. E Estimated. a Actual earnings year ended Sept. 30. A Actual showing.

Lack of Demand and Low Price Make Mining and Smelting Unprofitable

Prosperous Conditions in the Gold Mining Division Only

WITH the exception of gold, conditions in the non-ferrous metal world verge upon the completely chaotic. Demand has steadily contracted, stocks have mounted and prices continue to rule well below cost for most companies. Nor can anything be said other than that the situation presents few, if any, prospects of a change for the better.

Because it holds the greatest security interest, it is unfortunate that the copper situation should be the most obscure of all. The status of the whole industry is changing and no longer can it be said that American capital dominates the world copper market. African mines can produce the metal at a cost which domestic and South American companies cannot hope to meet. Some might come reasonably near the African cost if it were not for the depreciated pound sterling, but this last takes equivalent costs entirely outside the realm of possibility. Moreover, it must be noted that a low cost depends upon a reasonable rate of activity. It is for this reason that production curtailment, having as its object the raising of prices to a level where it would be possible for some of our companies to make money, is impossible on a scale sufficiently drastic to do any good. The African producers contend with considerable logic that production curtailment raises their costs and that in this way they would lose their most formidable weapon.

In an effort to combat the unpleasant situation, the United States has placed a tariff on copper. In this way it is hoped that the domestic market, which is the largest in the world, will be held for domestic producers. Unfortunately, however, this move only aggravates the situation in regard to our custom smelting business, our exports of copper and brass products, and does untold damage to United States controlled South American producers like Cerro de Pasco and Chile Copper.

While the other non-ferrous metals—always excepting gold—are in a somewhat better position than copper, their difficulties of excessive capacity, excessive stocks and too low a price, are the same. In all probability, general improvement of business conditions will have been under way for some time before the mining and metal stocks in general re-attain a degree of prosperity. And the general improvement, of course, will be an adverse influence upon the one division now doing well—gold.

Position of Leading Mining and Metal Stocks

Company	Earned per Share 1931	Earned per Share 1932E	Price Range 1932 High	Price Range 1932 Low	Recent Price	Dividend $	Yield %	Market Rating	COMMENT
★Alaska Juneau	.74 a	See comment	16⅝	7⅝	12	.60	5.0	A-2	Earned $1,029,700 first 11 months '32 before depletion, depreciation and Federal taxes, compared with $1,444,350 in corresponding previous period.
Aluminum Co. of America	nil	def	90	22	46	...	..	C-3	Ultimate future bright, but current conditions are steadily weakening a strong financial position.
American Metal Co.	def	def	9¼	1½	4	...	..	D-3	Possesses some attraction as an out-and-out speculation.
American Smelting & Refining	nil	def	27¼	5⅛	12	...	..	C-3	Strong company hampered by lack of metal consumption.
Anaconda	def	def	19⅝	3	7	...	..	D-4	Deep in debt. Outlook dubious.
Cerro de Pasco	def	def	15½	3½	7	...	..	D-3	American copper tariff is an adverse influence.
★Dome Mines	1.42 a	1.90 a	12⅝	7½	15	1.00 plus	6.7	A-2	A reasonably prosperous gold mining company.
Granby	def	def	11⅝	2⅝	4	...	..	D-4	Can hardly prosper with copper at current prices.
★Homestake	9.70	NF	163	110	157	9.00 plus	5.7	A-1	Has remarkable record. Dividend appears entirely safe.
■ Howe Sound	1.19 a	def A	16½	4⅝	7	.40	5.7	D-3	Producer of miscellaneous metals. Dividend not safe.
International Nickel	.22	def	12⅛	3½	8	...	..	C-2	Needs greater consumption and higher prices to warrant payments on the common.
Kennecott	.41 a	def	19¼	4⅞	9	...	..	D-3	Good grade company hard hit by present conditions.
■ Magma	.50 a	def	13⅝	4½	6	.50	8.3	D-3	Current dividend cannot be considered safe.
★McIntyre Porcupine	2.65 ab	2.21 ac	21⅝	13	22	1.00 plus	4.6	A-2	Earnings increasing. Dividend appears assured.
■ National Lead	5.48	3.15 A	92	45	53	5.00	9.5	C-2	Officially intimated that dividend may be cut or passed.
Newmont	def	def	28⅞	4⅝	16	...	..	D-3	A mining investment trust. Attractive only as a radical speculation.
Phelps Dodge	def	def	11⅝	3⅞	5	...	..	D-3	Holds an important position as a copper producer. The outlook, however, is obscure.
St. Joseph Lead	.24 a	def	17⅞	4⅝	8	...	..	D-3	Recovery may be somewhat long delayed.
■ U. S. Smelting	1.48	.58	22⅞	10	18	1.00	5.6	C-3	Strong financial position lends some assurance to dividend payments.
Vanadium	def	def	23⅞	5¼	11	...	..	D-3	Merits some attention as an out-and-out, long-term speculation.

★ Paying and earning dividend. ■ Paying, but *not* earning dividend. ● Not paying, but earning something. a Before depletion. b Year ended March 31. c 9 months to Dec. 31. NF Not available. E Estimated. A Actual showing.

Prosperity for the Automobile Industry Depends Upon Increased Public Purchasing Power

THE year 1931 was generally considered to be a disastrous one for the automobile industry, for production was some 30% below that of 1930, which in turn was some 37% below that of 1929. Last year, however, revealed that production activity in the automobile industry could plumb new depths. In 1932 there were about 1,436,000 cars and trucks produced, a decline of about 42% from the previous exceedingly poor year. Moreover, last year there was a decline also in the number of motor vehicles registered and the optimists who serenely concluded at the advent of the present depression that there would be an effective replacement demand for all cars scrapped quite evidently have been confounded.

As a result of the great decrease in production activity, it is hardly surprising that the industry as a whole was distinctly unprofitable in 1932. Reports for the first nine months of last year show, almost without exception, deficits. Business in the last quarter was so poor that it is quite possible that there will be not one single company to report a profit on its common stock for 1932. Under these conditions, despite the great financial strength of individual companies, dividends cannot be considered safe. Is there any prospect of increased business which would make them so?

The industry is suffering from an excessive capacity. This, coupled with vast resources, has laid the groundwork for a fierce competitive battle, especially in the low-priced field. Except for the public, which is constantly getting more for its money, no one ever wins a fight of this kind. From the producers' standpoint, it merely means narrower and narrower profit margins, if such may be said to exist at all. Some producers may go out of business entirely, but even so, those that remain will have in all probability ample facilities to care for the available business.

There is only one thing which can really change this somewhat dim prospect. It is a phenomenal increase in new car demand. But from where could this come? Domestically, there is every reason to believe that we have seen the saturation point in automobile ownership. New buyers of new cars reached a peak in 1923 and the tremendous activity in production during the years following this one was principally owing to the exceptional replacement market brought about by the general prosperity. Now that we are undergoing a period of general depression, the number of new buyers of new cars has sunk to negligible proportions and the replacement market is severely restricted for the present at least.

Position of Motor Common Stocks

Company	Earned per Share		Price Range—1932—		Recent Price	Dividend $	Yield %	Market Rating	COMMENT
	1931	1932	High	Low					
■ Auburn	17.64 a	Def a	151¾	28¾	43	4.00+8%	17.3	C-2	Strong financially, but present dividend cannot be considered wholly assured.
■ Chrysler	.83	Def c	21¾	5	12	1.00	8.3	C-2	Dividend is not safe without a material increase in business.
Continental Motors	Def d	Def d	3¾	⅝	2	...	..	C-4	Dependent on successful entry into the low-price field.
■ General Motors	2.01	Nil	24⅝	7⅝	13	1.00	7.7	C-2	Diversity and fundamental strength assuring, but dividend not safe.
Graham-Paige	Def	Def c	4⅝	1	2	...	..	C-4	An unattractive speculation.
Hudson	Def	Def c	11¾	2⅞	4	...	..	C-3	Will probably be some time before earnings warrant dividends.
Hupp	Def	Def c	5⅝	1½	2	...	..	C-3	Prospects obscure.
■ Mack Trucks	Def	Def c	28¾	10	15	1.00	6.7	C-2	Even great financial strength cannot maintain present dividend indefinitely without a pick up in business.
■ Nash	1.76 a	.38 a	19¾	8	14	1.00	7.1	C-2	Flexibility fosters company's determination not to do business at a loss. Some attraction as a speculation. Dividend not safe.
Packard	Def	Def c	5¼	1⅛	2	...	..	C-4	Stock is a relatively unattractive speculation.
Reo	Def	Def c	3⅞	1½	2	...	..	C-3	Highly speculative.
Studebaker	.20	Def c	13¾	2½	4	...	..	C-3	Merger with White Motors improved a poor financial position. Outlook obscure.
Willys-Overland	Def	Def c	3⅞	⅝	2	...	..	C-4	Unattractive, even as a speculation.
Yellow Truck	Def	Def c	7¾	1⅜	3	...	..	C-4	Really satisfactory condition appears a remote prospect.

■ Paying, but *not* earning dividends. a Year ended Nov. 30. c Nine months ended Sept. 30. d Year ended Oct. 31.

On the other hand, demand from abroad is not promising. Under present conditions foreigners are finding it sufficiently difficult to meet existing dollar obligations without contracting others. They have put in the way of our export business tariffs and exchange restrictions and as a result exports of motors and parts last year amounted to less than $100,000,000 compared with more than $160,000,000 for the previous twelve months. That the industry itself recognizes that it must look abroad is clearly evidenced by recent speeches and statements of some of its greatest figures. In view of the isolationist policy currently sweeping the country, there is, however, little enough chance of their ideas being followed.

Nor must one forget the tax aspect of the automobile industry's future. The tax on cars and parts and the constantly mounting gasoline taxes are all making the ownership of cars more expensive, and consequently narrowing the market. The cost of car ownership is now rising faster than it can be offset by lower initial cost and greater wear being built into today's vehicles. A greater degree of general prosperity is therefore needed to attain a given volume of production than would have been the case in 1928 and 1929, for example.

Nevertheless, despite the clear reasons for believing that the automobile industry faces no period of dynamic expansion, it is quite possible that we are nearing the point where the advocates of the prosperity-from-replacement-demand theory are to be partly vindicated. While no one can say with any degree of certainty what constitutes a normal replacement demand for the United States, it is not unreasonable to suppose that it represents a market larger than last year's. How much larger, however, clearly depends upon the general level of prosperity and for this to rise materially in turn clearly depends upon more constructive steps being taken to lift us out of the economic mire than any heretofore attempted.

The automobile accessory companies have fared in a manner very similar to that of the automobile companies proper. Their business volume too has been drastically curtailed and the unprofitable nature of the industry is clearly revealed by the constantly recurring deficits in the accompanying table. It is, however, more difficult to generalize in regard to the accessories than in regard to the automobile companies proper. In the former division, the nature of activities varies very considerably. Some accessory companies, for example, are entirely dependent upon the number of new automobiles produced. The body makers would fall into this class. Others are more dependent upon the total automobile mileage run—the manufacturers of tires. Yet others, while primarily automobile accessory companies, nevertheless, do considerable business with other industries. Bohn Aluminum and Timken Roller Bearing are typical of this class. Finally, there are automobile accessory companies which are producing finished articles having nothing whatsoever to do with the automobile industry. Borg-Warner's refrigerators are an example.

In view of the fundamental differences among the various accessory companies, it follows that the prospects of each must be decided on its individual merits. It should be noted, however, that so far during the depression no company has succeeded in developing its outside business to the point where it overshadows its automobile business and that, as a whole, the accessory companies are much less strong financially than the automobile companies proper.

Position of Motor Accessory Common Stocks

Company	Earned per Share 1931	Earned per Share 1932	Price Range 1932 High	Price Range 1932 Low	Recent Price	Dividend $	Yield %	Market Rating	COMMENT
Bendix Aviation	.74	Def a	18¾	4½	9	...	..	C-3	Continually developing new products, but marked improvement in general activity needed to provide common dividends.
Borg-Warner	.81	Nil a	14¼	3⅝	8	...	..	C-3	Outside interests should prove stabilizing factor in normal times.
Briggs Manufacturing	.34	Def a	11¾	2⅞	4	...	..	C-4	Dividends unlikely this year.
Bohn Aluminum	.84	Def a	22¼	4⅞	13	...	..	C-2	While disbursements on the common are not a near prospect, stock is not without speculative appeal.
Eaton Manufacturing	.37	Def a	9⅞	3	6	...	..	C-3	Dividend prospects remote.
★Electric Auto-Lite	4.03	1.39 a	38¾	8½	18	1.20	6.7	C-2	Comparatively well-situated company, but dividend only fairly safe.
NF.Electric Storage Battery	3.05	NF	33¼	12⅝	24	2.00	8.3	C-2	While company may possibly have covered present rate last year, dividend maintenance is not absolutely assured.
★Firestone Tire & Rubber	1.25 b	1.07 b	18⅝	10⅛	12	1.00	8.3	D-2	Is making a comparatively good showing. Dividend future, however, problematical.
Goodrich, B. F.	Def	Def c	12⅜	2¼	4	...	..	D-3	Stock has little speculative attraction.
Goodyear Tire & Rubber	Nil	Nil c	29¾	5½	13	...	..	D-2	Strong company, but common dividends unlikely this year.
Houdaille-Hershey "B"	Nil	Def a	4½	1	2	...	..	C-3	Company will probably be in no position to pay dividends this year.
■ Marlin Rockwell	Def	Def a	13¾	5¾	7	1.00	14.3	C-3	Dividend probably will be reduced or omitted shortly.
Motor Wheel	Def	Def a	6⅝	2	3	...	..	C-3	Disbursements will hardly be resumed in the near future.
Murray Corp.	Def	Def a	9⅞	2⅛	3	..	..	C-4	Stock has little attraction at the present time.
■ Perfect Circle	5.55	.93 c	19	17	18	2.00	11.1	C-2	Business off sharply. Reduction in dividend likely.
■ Raybestos-Manhattan	NF	Def a	12¾	4⅜	6	.60	10.0	C-2	Can hardly maintain dividend on present business volume.
Stewart Warner	Def	Def	8½	1⅞	3	...	..	C-4	Comparatively unattractive speculation.
■ Timken Roller Bearing	1.06	Def a	23	7¾	16	1.00	6.3	C-2	Stock has considerable speculative appeal, but dividend cannot be considered safe.
★Trico Products	4.70	1.98 a	31½	19⅜	20	2.50	12.5	C-2	Has done relatively well. Present dividend, however, not assured.
U. S. Rubber	Def	Def c	10¼	1¼	4	...	..	D-4	Has reported large losses. Stock is without appeal.

★ Paying and earning dividends. ■ Paying, but *not* earning divi dends. a Nine months ended Sept. 30. b Year ended Oct. 31. c Six months ended June 30. NF Not available.

Position of Leading Petroleum Stocks

(For a discussion of the oil industry see article on page 483)

Company	Earned per Share 1931	Earned per Share 1932	Price Range 1932 High	Price Range 1932 Low	Recent Price	Dividend $	Yield %	Market Rating	COMMENT
★Atlantic Refining	.19	1.45	21⅞	8⅝	15	1.00	6.7	C-2	Did better last year. Dividend fairly safe.
● Consolidated Oil	def	.05 b	9	4	5	...	..	C-3	Expanding. Merits some attention as a long-term speculation.
● Continental Oil of Delaware	def	9 mos. .02	9⅜	3⅝	5	...	..	C-4	Possesses speculative attraction only. Dividends probably some distance away.
NF.Gulf Oil	def	NF	44¾	23	26	...	..	C-2	Large, well-integrated and conservatively managed enterprise.
Houston Oil	def	9 mos. def	28¼	8¾	12	...	..	C-3	Has possibilities in further natural gas development.
Mid-Continent	def	9 mos. def	8⅞	3¾	5	...	..	C-4	Dividends appear quite remote.
● Ohio Oil	def	9 mos. .57	11	5	6	§	§	C-3	Payments may be expected from time to time so long as earnings warrant.
● Phillips Petroleum	def	9 mos. .09	8⅛	2	5	...	..	C-3	Weak financial position improved, but common dividends are not a near-term possibility.
NF.Pure Oil	nil a	NF	6½	2⅞	3	...	..	C-3	Merits attention as a radical speculation only.
● Royal Dutch	.74	NF	23¾	12⅛	20	§	§	C-2	Diversification afforded by world-wide interests. Virtually a cross section of the industry, both at home and abroad.
★Seaboard Oil of Delaware	.10	9 mos. .49	20⅜	6⅝	16	.40	2.5	C-3	While dividend appears reasonably well assured, issue cannot be considered statistically cheap.
Shell Union	def	9 mos. def	8¾	2⅛	5	...	..	C-3	Probably be some time before company digests tremendous expansion.
NF.Socony-Vacuum	def	NF	12¼	5¼	7	.40	5.7	C-2	Strong financially, but needs better conditions in the industry to make the dividend absolutely assured.
■ Standard of California	1.11	9 mos. .92	31⅞	15⅛	24	2.00	8.3	C-2	Should continue to pay something, though possibly the current rate will be reduced.
NF.Standard Oil (Indiana)	1.04	NF	25⅛	13⅛	21	1.00	4.8	C-2	Current uncertainty in the gasoline market adverse factor, but company should have little trouble in maintaining current dividend.
NF.Standard Oil (New Jersey)	.34	NF	37⅜	19⅞	26	1.00	3.8	C-2	Recently failed to declare the usual extra, despite the possession of great liquid resources.
★Sun Oil	1.63	2.35	39⅞	24¾	36	1.00+3%	5.8	C-2	Did much better last year. Conservative dividend should be safe.
NF.Texas Corp.	def	NF	18¼	9¼	13	1.00	7.8	C-3	Dividend not considered assured.
● Tidewater Associated	def	9 mos. .09	5⅝	2	3	...	..	C-4	Thoroughly speculative.
■ Union Oil of California	.70	9 mos. .63	15⅜	8	10	1.00	10.0	C-3	Lack of margin in earnings for dividend payments make a reduction possible.

★ Earning and paying dividend. ■ Paying, but *not* earning dividend. ● Paying no regular dividend, but earning something. NF Not available. a Year ended March 31, '32. b 5 months to June 30, '32. § Has paid a dividend recently, but no regular rate.

Position of Leading Chemical Stocks

Company	Earned per Share 1931	Earned per Share 1932	Price Range 1932 High	Price Range 1932 Low	Recent Price	Dividend $	Yield %	Market Rating	COMMENT
■ Air Reduction	4.54	2.73	63½	30⅞	58	3.00	5.2	C-2	Despite strong position and good long-term outlook, small reduction in current dividend possible.
NF.Allied Chemical	6.74	NF	88¼	42½	83	6.00	7.2	C-2	Dividend probably unearned last year. Strong financial position, however, lends assurance to its continuance.
Am. Cyanamid "B"	.21 a	NF	8½	1⅝	4	...	..	C-3	Will probably be a long time before company is in a position to make disbursements on this stock.
■ Columbian Carbon	3.02	9 mos. 1.24	41⅞	13½	32	2.00	6.3	C-2	Present dividend not wholly assured.
■ Commercial Solvents	.84	9 mos. .35	13¾	3½	11	.60	5.6	C-2	Business improvement needed to make present rate entirely safe.
■ Du Pont de Nemours	4.27	1.82	59¾	22	38	2.00	5.3	C-2	Payment of General Motors dividend lends some assurance to the continuance of this rate.
★Freeport Texas	3.26	6 mos. 1.45	28⅝	10	24	2.00	8.3	C-2	While earnings warrant current rate, impairment of financial position may force reduction.
Liquid Carbonic	3.17 b	def b	22	9	12	...	..	C-3	May possibly receive some little net benefit from legalization of beer.
■ Mathieson Alkali	1.88	9 mos. .64	20⅞	9	17	1.50	8.8	C-2	Dividend reduction probable. Longer-term outlook good.
★Monsanto Chemical	2.98	9 mos. 1.72	30¾	13⅜	31	1.25	4.0	C-2	Should have no difficulty maintaining current conservative rate.
★Texas Gulf Sulphur	3.52	9 mos. 1.79	26¾	12	24	2.00	8.3	C-2	Piling up of inventories obscures safety of dividends.
■ Union Carbide & Carbon	2.00	9 mos. .69	36⅜	15⅞	25	1.20	4.8	C-2	Well entrenched and strong financially. Current dividend, however, not entirely safe.
● U. S. Industrial Alcohol	def	6 mos. .09	36¼	13¼	19	...	..	C-3	Alcohol price situation much improved, but resumption of dividends not a near-term prospect.
● Westvaco Chlorine	1.79	.79	12⅝	3	8	...	..	C-3	Probably requires a very material pick-up in general conditions to warrant dividends.

★ Paying and earning dividend. ■ Paying, but *not* earning dividend. ● Not paying but earning something. NF Not available. a 18 months ended Dec. 31. b Year to Sept. 30.

Position of Leading Food Stocks

Company	Type of Business	Earned Per Share 1931	Earned Per Share 1932	Price Range 1932 High	Price Range 1932 Low	Recent Price	Dividend	Yield %	Market Rating	COMMENT
Armour "A"	Meats	def a	nil a	2¾	⅝	2	....	....	D-3	Reported a smaller deficit for the last fiscal year.
● Beatrice Creamery	Dairy Products	3.54 b	.82 c	43½	10½	9	....	....	C-3	Unsatisfactory conditions in the industry may continue.
★Beech-Nut Packing	Package Foods	4.75	9 mos. 3.25	45¾	29¼	47	3.00	6.4	B-2	Income holds relatively well. Dividend assured.
NF Borden	Dairy Products	3.82	NF	43⅛	20	22	1.60	7.3	C-2	Current, lower dividend fairly safe for the time being.
California Packing	Canning	def b	NF	19	4¼	10	....	....	D-3	Condition of the industry not yet satisfactory.
Cont. Baking "A"	Baking	.74	nil	8	2⅞	4	....	....	C-4	Not particularly attractive even as a speculation.
■ Corn Products	Starch, Syrup	3.54	9 mos. 2.04	55⅝	24⅝	55	3.00	5.5	B-2	Extremely strong financial position lends assurance to the continuance of the current unearned dividend.
■ Cudahy Packing	Meats	3.06 a	.70 a	35½	20	22	2.50	11.4	D-2	The only one of the "big four" to show a profit for the latest fiscal year. Dividend, however, not wholly safe.
■ General Baking	Baking	2.58	1.94	19⅝	10½	15	2.00	13.3	C-3	Maintenance of unearned dividend doubtful.
★General Foods	Package Foods	3.44	9 mos. 1.97	40½	19⅝	24	2.00	8.3	B-2	Resists depression. Current dividend well covered.
NF General Mills	Flours, etc.	3.92 e	NF	48½	28	41	3.00	7.3	B-2	New specialities do well. No reason to anticipate dividend reduction.
★Hershey Chocolate	Chocolate, etc.	8.73	9 mos. 4.27	83	43½	50	5.00	10.0	C-2	Earnings off. May possibly be moderate reduction in current dividend.
■ Loose-Wiles	Baking	3.14	9 mos. 1.43	36⅝	16⅛	24	2.00	8.3	B-2	Is paying about the maximum on basis of current earning power. Reduction possible.
■ National Biscuit	Baking	2.86	2.44	46⅞	20¼	36	2.80	7.8	B-2	Despite financial and trade position of company, moderate reduction in the dividend may take place.
NF National Dairy	Dairy Products	3.43	6 mos. 1.05	31⅜	14⅜	14	2.00	14.3	C-3	Industry depressed. Reduction probable.
★Penick & Ford	Starch, Syrup	2.50	9 mos. 1.65	32⅜	16	30	1.00 plus	3.3	B-2	Regular rate entirely, extra reasonably, assured.
■ Purity Bakeries	Baking	2.14	.29 f	15⅞	4⅜	8	1.00	12.5	C-3	Sharp reduction in earnings menaces dividend.
★Standard Brands	Package Foods	1.12	1.14	17⅞	8⅜	15	1.00	6.7	B-2	Net holds well. Dividend certainly safe for a time.
Swift	Meats	.11	def a	18⅞	6⅝	8	....	....	D-3	May be some time before company is in a position to resume dividends.
■ United Biscuit	Baking	3.71	9 mos. 1.27	28½	11	17	2.00	11.8	B-2	Maintenance of current dividend somewhat uncertain in view of sharp drop in earnings.
Ward Baking "A"	Baking	.69	nil g	10¼	2¼	3	....	....	C-4	Possesses little attraction even as a speculation.

★ Earning and paying dividends. ■ Paying, but *not* earning divid nds. ● Not paying, but earning something. NF Not available. a Year ended Oct. 31. b Year ended Feb. 28, '32. c 6 mos. to Aug. 31. e Year ended May 31, '32. f 40 weeks to Oct. 8. g 43 weeks to Oct. 22.

Position of Leading Merchandising Stocks

Company	Earned per Share 1931	Earned per Share 1932	Price Range 1932 High	Price Range 1932 Low	Recent Price	Dividend	Yield %	Market Rating	COMMENT
● Best & Co.	3.02 a	1.05 b	24⅞	5¾	11	....	....	C-3	Latest showing was better than had been anticipated previously.
★First National Stores	5.52 c	2.55 d	54½	35	50	2.50	5.0	B-2	Could easily pay larger dividend and may do so.
★W. T. Grant	2.60 a	1.00 E	30¼	14⅛	17	1.00	5.9	C-2	Dividend appears fairly safe.
● Grand Union	1.36	9 mos. .81	9¾	3⅛	5	....	....	B-3	Possesses some attraction as a long-term speculation.
★Jewel Tea	4.37	3.76	35	15⅛	29	3.00	10.3	B-2	Earnings held up comparatively well, though dividend not wholly assured.
★S. S. Kresge	1.69	1.00	19	6⅝	9	1.00	11.1	B-2	Earnings only just cover dividend which possibly may be reduced.
★S. H. Kress	4.14	2.76	37	18	28	1.00 plus	3.6	B-2	Conservative dividend seems more than ordinarily safe.
★Kroger Grocery & Baking	1.46	24 wks. .74	18⅞	10	18	1.00	5.6	B-2	Earnings probably covered dividend by only moderate margin in 1932.
NF R. H. Macy	3.63 a	NF	60½	17	27	2.00	7.4	C-2	Estimated to have covered dividend for latest fiscal year, but rate not entirely safe.
NF May Dept. Stores	1.75 a	NF	20	9½	14	1.00	7.1	C-3	Current dividend does not appear to be wholly assured.
Montgomery Ward	def	9 mos. def	16½	3½	14	....	....	C-3	New management appears to be making progress, but may have long pull.
★National Tea	.99	40 wks. .63	10⅞	3½	10	.60	6.0	B-3	Earnings cover dividends by fair margin.
■ J. C. Penney	3.13	6 mos. .81	34½	13	26	1.80	6.9	C-2	Retires large block of preferred to the eventual benefit of common, though reduction in current dividend would occasion little surprise.
★Safeway Stores	6.33	6 mos. 2.79	59¼	30⅛	38	3.00	7.9	B-2	No reason to expect further lowering of dividend, at least for a time.
Sears, Roebuck	2.47	28 wks. def	37⅝	9⅞	19	....	....	C-3	1932 expected to have resulted in a deficit.
■ F. W. Woolworth	3.19	2.27	45⅝	22	34	2.40	7.1	B-2	Any reduction in dividend should be moderate only.

★ Paying and earning dividend. ■ Paying, but *not* earning dividend. ● Not paying dividend, but earning something. NF Not available. E Estimated for year ended Jan. 31, '33. a Year ended Jan. 31, '32. b Year ended Jan. 31, '33. c Year ended March 31, '32. d Six months to Oct. 1, '32.

Maintains Its Strength Despite Decline in Industry

Strong Financial Position — Sustained Sales Volume

By WARD GATES

FOR some years the cigarette has been steadily undermining the popularity of the cigar, with the result that total production and sales of cigars have shown a marked trend downward. Yet in this apparently unfavorable setting the General Cigar Co., largest domestic manufacturer, has in the last decade increased its sales and maintained an impressive stability of earning power.

The cigar certainly cannot be considered a necessity of life. Quite aside from its long-term trend of sales, one would naturally expect it to fare badly under present conditions of acute depression and reduced public purchasing power—and so it has; but, at least in the case of General Cigar, sales may be said to have resisted depression relatively well; better, indeed, than the products of most other industries.

Low Price Cigars

The explanation is simple. While the cigar will never be a necessity, General Cigar has succeeded in substantially reducing its luxury rating. Whether inspired by the dictum of a famous statesman of an earlier day that: "What this country needs is a good 5-cent cigar," that, at any rate, was what the management decided that the General Cigar Co. needed.

As a result the corporation has in the past ten years discontinued various brands of cigars, many of which were manufactured for local markets, and has concentrated on the exploitation of a few brands, with emphasis on complete mechanical production, low price and extensive national advertising. Accordingly, despite the encroachment of the cigarette, General Cigar now produces more cigars normally than it did a decade ago, its proportion of the country's total output having increased from approximately one cigar out of every fourteen to nearly one out of every seven.

All of this gain has been in production of low priced cigars, as evidenced first by rapid growth of sales of "Wm. Penn," a 5-cent brand revived about ten years ago and more recently by large gains in sales of "White Owl," a cigar which the company shoved down into the nickel class in the summer of 1931.

The combined sales of these two brands make General Cigar the largest manufacturer in the low price field. In the next most favored price class, that of 10 cents, the company has concentrated with considerable success on the "Robt. Burns" brand. Other brands include "Van Dyck," retailing at from three for a quarter to 15 cents straight, and "Laddies," a little cigar selling at 15 cents for a packet of 5 or 30 cents for a packet of 10.

Since the company's sales and profits set a peak in 1929, each year of depression has brought recession in these figures, but the decline has been to some extent offset by reduction in operating costs. For 1932 net income was $2,058,370, as compared with $2,720,667 in 1931, $3,201,521 in 1930 and $4,295,960 in 1929. Profit per share of common stock for 1932 was $3.61, against $5.01 for 1931, $6.03 in 1930 and $8.07 in the record year of 1929.

Considering the record of earnings for the last twelve years, it would appear reasonable to assume that the probable earning power of the company in a period of normal business recovery should be between $4 and $5 per share on the common.

Long Dividend Record

Dividends at varying rates have been paid on the stock since 1909, the present rate of $4 having been established in 1927. Since 1932 earnings have fallen short of this total by a margin of 39 cents, it is, of course, open to conjecture whether the rate may not be cut. The company's financial position, however, is satisfactory and offers no apparent reason for a reduction of the dividend to a level of less than $3.50 or $3.

On such a prospect the stock at recent prices around $32 possesses considerable income attraction, yielding more than 12% on the present dividend and more than 9% in the event the dividend should be reduced to $3. The issue enjoys little speculative activity but is not without probability of satisfactory appreciation in any sustained market recovery. The capitalization consists simply of 50,000 shares of $7 cumulative preferred stock and 472,982 shares of no par value common, the company during 1932 having retired its issue of 6% gold notes, $2,800,000 of which had been outstanding at the end of 1931. Total current assets, including $5,500,000 in cash and Government securities, are $24,069,265, against current liabilities of $719,510. The company is free of any need for additional plant expansion. While over a period of years fifty-six factories have been eliminated out of seventy-seven originally operated, productive capacity has increased.

Seven Years With General Cigar

	Net Income	Earnings per Share of Common
1932	$2,058,370	$3.61
1931	2,720,667	5.01
1930	3,201,521	6.03
1929	4,295,961	8.07
1928	3,140,459	6.85
1927	3,366,136	7.13
1926	2,562,812	5.67

READERS' FORUM

The Readers' Forum belongs to the readers of THE MAGAZINE OF WALL STREET *and is intended exclusively to serve them in the discussion of problems of general investment interest. This department welcomes and invites contributions from its readers without imposing rigid restrictions as to their choice of subject matter. Stories of personal experience with, or personal opinion upon, investment problems, are particularly appropriate since they often are of interest to many. The services of this department also are available for answering investment questions of general interest excluding inquiries regarding the position or prospects of individual securities.*

Let Europe Pay Us in Service

A Practical Method by Which Foreign Currencies Could Be Used in Partial Debt Solution

By H. M. B.

THE United States is at last confronted with the inevitable reconsideration of the governmental debts owed to it by European countries. What faces us is no longer a theoretical, but an actual problem. The question must be solved. No further circumvention is possible, no further postponement.

That Europe's capacity to pay has been greatly curtailed is beyond the slightest question. What is most significant is that Europe has been unable to accumulate, out of the proceeds of her trade, sufficient American balances to make the "war-debt" payments. Many debtor countries inform us that they would gladly pay, could they get around this transfer problem. But, they state, they have not the foreign-exchange wherewithal. They could perhaps pay us in their own currency, but they cannot pay us in ours.

We Cannot Take Goods

The suggestion has been made that, if we would but remove our tariff wall, European debtor nations could pay us in goods. That is Governor Smith's idea, and there's much to it. But this suggestion meets with serious objection from our trade and manufacturing interests, who apprise us that importing foreign goods means displacing American goods, implies more idleness in American industry, idle factories, idle machines, idle workers. It would aggravate our unemployment problem at the very time when we can least afford to have it do so, this with all the more certainty because we are at the bottom of a great depression, prices are very low in Europe, our markets might quickly be flooded with cheap foreign merchandise. We do not wish to accept payment of the inter-governmental debts in goods.

We would take payment in gold. But Europe has not the gold to pay us, we are told. Thus there is no prospect of payment in goods or in gold. How then can the transfer problem be overcome? Is there no way out, short of cancellation by us, or of default by the debtors? There is another way out. It will not solve the whole question. But it offers possibilities of very considerable relief.

The thing for us to do is to say to the foreign governments concerned: "You agree to make debt payments to us in the form of services. These services will be 'consumed' by American tourists. In the year 1929 American tourists spent $650,000,000 in foreign travelling. In the depression year 1931 the corresponding figure was no less than $571,000,000. Half a billion dollars gold. A part of this was spent on shipboard, some of it on foreign vessels. Much was spent in Canada and in other non-debtor countries. Of the $502,757,000 spent actually on foreign soil, American tourists expended $181,000,000 in the seventeen countries scheduled to make debt payments to the United States government during 1932.

Tourist Expenditures

"The money that those same seventeen countries were to pay us during this year for principal and interest on the debts amounted to $285,721,600. Let us set off part of the debt payments against certain tourist expenses. You, Europe, will make your payments to us not in gold or in goods, but in your own monies. Those funds will be deposited to our credit in your own central banks. We shall use the money to pay for expenditures of our tourists in your several countries. Some of the money will be devoted

(*Please turn to page 501*)

Taking the Pulse of Business

—Debt Adjustment in Progress

—Finished Goods Prices Decline

—Industrial Activity Lags

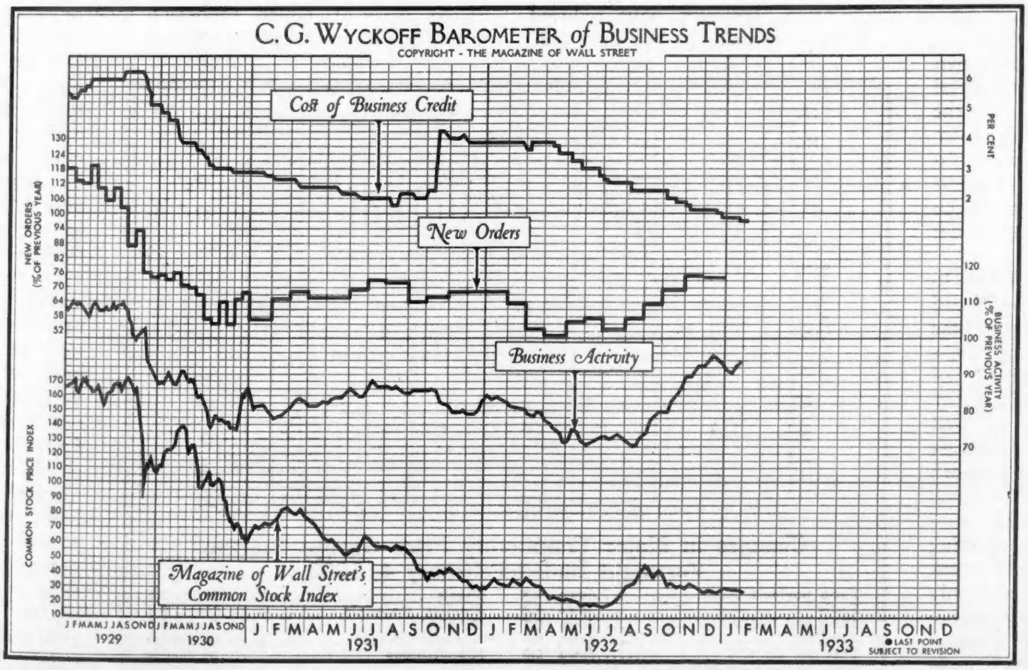
—Longer Term Outlook Encouraging

EXCEPT for the gratifying increase of 19% in railroad net operating revenue for December as compared with the corresponding month in 1931, the grist of news since our last issue has not, if taken at its face value, been of a character to improve confidence. Dividend reductions by prominent corporations; renewal of the price war in automobile tires; rumors of a further slash in the wholesale price for popular cigarette brands; growing agitation to reduced rates for gas, electricity, and railroad freight; expectations of a drastic cut in anthracite coal prices; curtailed Government subsidies to air mail carriers; more small bank failures, with consequent rise of money in circulation; resumption of gold earmarking in response to domestic inflation talk; and continued inaction on the part of Congress—such were the handicaps under which business and the security markets labored during the past fortnight.

That all four curves of our Barometer have thus far proved encouragingly indifferent to these recent developments would seem to indicate that they are regarded, in the main, as a salutary form of secondary liquidation which often characterizes the final phase of a major business depression. We shall gain a clearer perspective of the outlook by keeping in mind that the long decline in raw material prices, in security prices, in New Orders, and in the physical volume of production and trade was halted months ago; while adjustments of indebtedness, and of prices for certain manufactured goods and corporate services, to the lower costs of raw material are at last proceeding at an accelerated pace. Deflation here has been delayed by custom or by the existence of long term contracts; but the gaps must be narrowed before we can enjoy anything more than transient improvement in general business conditions. The major question is whether raw material prices are to rise, or debts and other prices are to come down further. The former procedure was given a preliminary trial last autumn; but was doomed to failure because it served merely to perpetuate the disastrous overproduction of basic commodities which lies at the root of our present economic ills.

Years of political and other futile efforts to abrogate the working of economic laws by means of various price fixing expedients should have taught the world by now that the only remedy for overproduction is underproduction, and that the only effective way to reduce production is to permit prices to fall so low that marginal producers are forced to quit. It is better for a comparatively few of the industrially unfit to suffer temporarily than that the whole world should sink ever deeper into the mire.

Inflation here, if it "takes," will raise prices and intensify the evils of overproduction. There would be a brief flare-up of speculative prosperity, and then a crash to lower depths than we have yet reached. Recent experience with proration in the petroleum industry should warn us, moreover, that general allotment and proration cannot be enforced; for, even if successful in this country, it would soon encourage more production by other nations. The present epidemic of low prices is a penalty we are paying for war-time inflation of prices, and consequent post-war overproduction. The quicker we liquidate this



debt, the sooner will prosperity return again to leading industries such as are briefly reviewed below.

The Trend of Major Industries

STEEL—Operations crept up to 19% of capacity last week; but this is still about 30% lower than last year. The recent spurt in demand for structural steel and plates may serve to offset the drop in specifications for sheets incident to strikes in the automobile industry, and so sustain the present rate of output. Earnings of most companies for the first quarter, however, are likely to be considerably less than last year, especially in view of lower prices received for finished products. The railroads are still financially unable to place orders in any quantity, despite the growing need for replacements and repair work. Drilling in the oil fields has fallen off sharply of recent weeks, which lessens the demand for tank steel and pipe. At present writing, about the only encouraging aspect of the situation is a noticeable increase in demand for pig iron and scrap.

METALS—No improvement is yet in sight for any of the metal companies. Zinc and lead sales are still declining, while other non-ferrous metal markets remain dull. Unless demand picks up soon, some of the higher cost copper mines here will have to shut down at least for the summer. Smelter earnings are still receding, and more plants are being closed.

PETROLEUM—Further reductions in gasoline prices east of the Rockies have made imminent still deeper slashes in crude prices so that the resulting necessity of inventory write-downs is likely to eat considerably into first quarter earnings. The difficulty now is not so much overproduction of crude as the unhappy combination of excess production and diminished consumption of gasoline. Total liquid stocks on December 31, last, were practically the same as at the end of 1927, and 193,000,000 gallons less than at the close of 1929. Upon further analysis, however, one finds that crude stocks were reduced 36,000,000 during the six-year interval, while gasoline stocks increased by a like amount. This excess gasoline is being dumped upon the market below posted prices, and so has undermined the price structure. Lower crude prices, however, have reduced drilling operations—a corrective which, in the long run, will strengthen the statistical position of the industry far more effectively than any of the proration plans which has yet been tried.

RAILROADS—Net railroad operating income in December was 19% ahead of the previous December, the first yearly increase of any month since 1929. Such a favorable comparative showing was made possible, however, only by drastic economies in operations; since gross income was 14.8% less than in December, 1931. For 1932, as a whole, gross fell off 25.4% and net 37.9%. A considerable portion of the saving in operating expenses was made possible by temporary cuts in maintenance and repair work which cannot be deferred indefinitely. Many of the weaker roads are still not earning their fixed charges, and it is only a question of time when either voluntary or receivership reductions in funded debt will have to be made.

CHEMICALS—This industry has weathered the depression better than most, and the beginning of 1933 finds the stronger organizations operating on a fairly stable income basis, although volume sales have shrunk moderately, compared with a year ago. Since labor costs form but a minor component of the cost of manufacturing chemicals, production costs have been easily adjusted to the slightly lower prices now in effect.

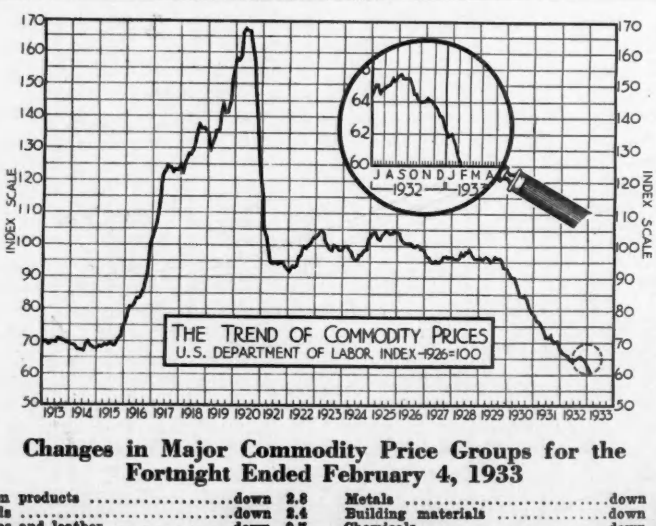
TIRES—Continued weakness in crude rubber prices and a new outbreak of tire price cutting make the nearby outlook for the majority of rubber manufacturers all but hopeless.

ACCESSORIES—First quarter earnings of accessory companies, on the other hand, should generally show a little improvement over last year—partly from greater economies of operation, and partly because the output of new cars to date has been slightly ahead of last year.

MERCHANDISING—January sales of chain stores and mail order houses show a slightly less percentage decline from last year than was reported for December; but, owing to the circumstances that Easter this year will be deferred until the middle of April, against March 27, last year, first quarter earnings, for the most part, are not likely to make a favorable comparative showing.

Conclusion

While it is evident from the foregoing survey that the majority of important industries are still operating at a loss, with faint prospects of nearby improvement, considerable support for the contention that we are in the final phase of the depression is to be found in the recently accelerated pace at which topheavy indebtedness is being scaled down, and hitherto resistant commodities and services are descending to within reach of slim pocket books; while the decline in general business activity and in primary commodity prices appears to have ended. If this process of closing up the gaps is permitted to run its course without undue interference, we should then have a sound economic base upon which a new period of prosperity will arise — perhaps sooner than is now generally anticipated.

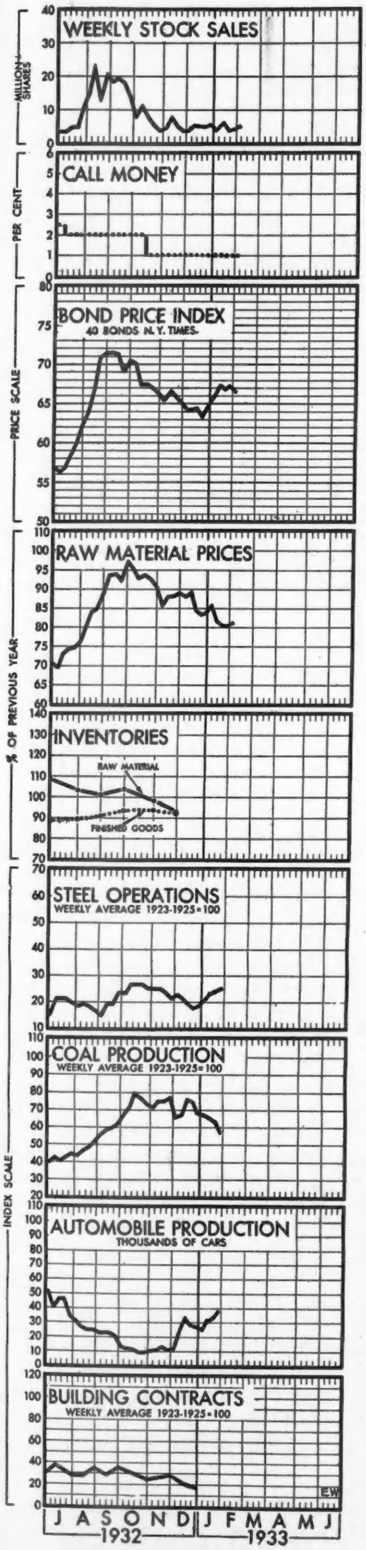


Changes in Major Commodity Price Groups for the Fortnight Ended February 4, 1933

Farm products	down 2.8	Metals	down 0.1
Foods	down 2.4	Building materials	down 0.8
Hides and leather	down 0.7	Chemicals	down 0.1
Textiles	down 0.5	Housefurnishings	no change
Fuel and lighting	down 2.9	Miscellaneous	no change

The Magazine of Wall Street's Indicators

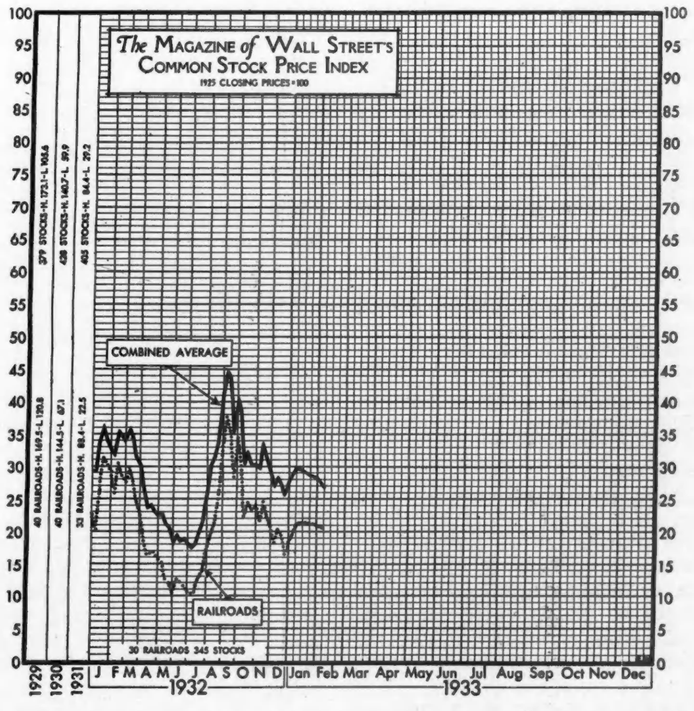
Business Indexes



Common Stock Price Index

1932 Indexes High	1932 Indexes Low	1932 Indexes Close	Number of Issues		1933 Indexes High	1933 Indexes Low	Jan. 21	Jan. 28	Feb. 4
45.0	17.5	27.4	280	COMBINED AVERAGE	29.9	26.3	28.7	28.2	26.8
66.8	17.9	32.3	3	Agricultural Implements ...	41.2	32.3	38.2	36.1	33.9
59.3	11.4	16.9	6	Amusements	18.7	11.0	16.3	13.3	11.0-L
31.3	10.7	17.5	14	Automobile Accessories	20.5	17.5	18.7	18.2	18.1
17.6	5.8	10.6	14	Automobiles	11.4	9.6	10.7	10.2	9.6
62.5	16.2	56.2	4	Aviation (1927 Cl.—100)....	62.3	49.4	58.0	56.0	49.4
13.1	4.8	5.6	3	Baking (1926 Cl.—100)	7.1	5.6	6.7	6.7	6.3
129.9	60.1	96.0	2	Biscuit	105.4	95.1	101.9	101.6	95.1
83.8	29.6	45.5	5	Business Machines	50.1	44.8	47.6	47.4	44.8
119.0	51.0	101.5	2	Cans	110.0	101.5	110.0	108.8	104.7
113.3	53.6	96.3	8	Chemicals & Dyes	102.3	90.2	101.0	98.4	90.2
44.3	13.1	18.9	2	Coal	20.2	15.8	18.8	18.4	15.8
24.8	9.9	14.2	14	Construction & Build. Mat..	15.1	13.2	14.2	14.1	13.2
57.2	14.9	24.0	8	Copper	27.3	23.3	24.6	24.4	23.3
57.8	28.3	32.6	2	Dairy Products	34.0	27.7	30.1	27.7-L	28.1
16.3	4.5	7.9	7	Department Stores	8.3	7.2	7.9	7.9	7.2
74.3	35.1	53.7	8	Drug & Toilet Articles......	54.0	50.4	52.2	54.0	50.4
63.9	28.7	42.2	4	Electric Apparatus	46.3	41.0	45.1	44.1	41.0
58.7	23.7	33.2	2	Finance Companies	43.7	33.2	39.6	43.7	41.7
56.1	28.3	39.5	5	Food Brands	42.6	37.5	38.4	38.4	37.5
56.4	33.9	49.6	3	Food Stores	50.4	48.5	49.6	49.2	48.5
41.8	11.7	17.0	2	Furniture & Floor Covering..	17.3	15.2	17.3	16.2	15.2
527.8	357.9	514.0	2	Gold Mining	589.2	481.2	517.4	522.5	589.2-H
21.1	9.6	12.4	4	Household Equipment	13.4	11.6	12.6	12.7	11.6
31.5	9.5	22.0	7	Investment Trusts	26.5	17.2	21.7	19.2	17.2
27.4	7.7	20.0	2	Mail Orders	21.8	19.1	21.0	21.0	19.1
55.8	19.3	30.1	7	Metal Mining & Smelting...	34.0	30.1	32.1	34.0	32.8
42.4	21.6	33.2	24	Petroleum & Natural Gas...	34.8	31.6	32.8	32.0	31.6
22.5	6.2	9.8	4	Phonos & Radio (1927—100)	11.1	8.9	10.2	9.1	8.9
94.9	37.1	63.5	20	Public Utilities	68.2	56.4	66.0	63.6	56.4
37.8	12.0	17.7	8	Railroad Equipment	21.2	17.7	20.6	20.7	20.6
37.8	10.4	18.1	29	Railroads	21.3	18.1	21.1	21.0	20.6
44.4	14.9	27.0	2	Restaurants	29.3	26.0	28.2	27.1	26.0
89.9	58.0	60.8	2	Soft Drinks (1926 Cl.—100).	65.1	60.8	64.6	64.3	60.8
45.9	11.7	23.3	7	Steel & Iron	26.3	23.3	25.3	24.9	23.5
12.4	3.8	7.3	3	Sugar	8.4	7.3	7.7	8.4	8.3
121.6	53.9	112.1	2	Sulphur	116.8	107.7	114.0	109.5	107.7
57.2	21.0	35.9	3	Telephone & Telegraph......	38.8	31.8	36.7	35.8	31.8
52.5	16.3	30.1	5	Textiles	30.1	26.5	29.4	30.0	26.5
11.0	2.5	4.4	4	Tires & Rubber............	4.8	3.6	4.4	4.2	3.6
68.6	40.8	48.2	4	Tobacco	56.2	48.2	56.2	53.3	50.9
57.0	17.9	22.7	3	Traction	31.6	22.7	26.2	38.2	31.6
50.9	23.3	34.3	2	Variety Stores	35.1	31.3	31.5	31.4	31.3

L—New Low record since 1928. H—New High record since 1928



(An unweighted index of weekly closing prices; compensated for stock dividends, splitups, and rights; and covering about 90% of the volume of transactions in all Common Stocks listed on the New York Stock Exchange.)

PERSONAL SERVICE SECTION

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET will answer, by mail or telegram, inquiries on any listed securities in which you may be interested, or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts but be brief.
2. Confine your requests to *three listed securities.*
3. **Write full name and address plainly,** and enclose stamped, self-addressed envelope.
4. If not now a paid subscriber, use coupon elsewhere in this issue and send check at same time you transmit your first inquiry.

Special rates upon request for those requiring additional service.

BLUE RIDGE CORP.

What is your opinion of Blue Ridge Corp. common as a speculative purchase? My portfolio is in a splendid position, thanks to your past advice, but I want to add to my speculative commitments and Blue Ridge common looks good to me. I will appreciate any information you may give me, and advice as to whether you consider the price attractive at prevailing levels.—R. D. D., Charlotte, N. C.

The Blue Ridge Corp. reported as of December 31, 1932, total assets of $40,405,378, including $1,372,935 cash, equivalent to $57.92 per share on its outstanding $3 preference stock, and after allowing for this stock at the amount to which it is entitled in liquidation ($55 per share), to 27 cents per common share. As of December 31, 1931, the preferred had a book value of $57.85 and the common of 84 cents. During the past year 112,290 shares of preference stock were retired at a considerable discount from the liquidation value, thus resulting in a sizable saving to the corporation. Investments at the year-end remained substantially unchanged, the largest single investment being in the common stock of the North American Co., with smaller amounts in other issues which appear well adapted for future enhancement in quoted value. Although net cash income from investments declined somewhat last year, dividends on the $3 preference stock are still being earned, indicating the continuance of such payments. While the common stock is essentially speculative, its leverage factor is such that liquidation value of these shares could mount rapidly upon a sustained recovery in the securities markets. Hence, we would not be averse to limited long-pull speculative commitments in the shares.

RADIO-KEITH-ORPHEUM CORP. —PARAMOUNT PUBLIX CORP.

I am holding 50 shares each of Radio-Keith-Orpheum Corp. and Paramount Publix common stock purchased last summer. While I realized that earnings of these enterprises were declining exceedingly, I thought they were financially sound, and was surprised to read of the appointment of receivers for both companies. I would appreciate any information you can give me as to their outlook. Do you think the situation points to a long process of reorganization? Do you advise me to continue holding or should I sell now and take my loss?—H. D. K., Knoxville, Tenn.

The sharply curtailed purchasing power of the public has resulted in a prolonged and increasingly pronounced falling off in theater attendance, a factor that has been largely responsible for the difficulties currently being encountered by the motion picture industry. Although moderate reductions in admission prices have been effected by the major units in the field, such reductions have not been sufficient to stimulate attendance and, as a matter of fact, have failed to check the decline. The dearth of "box office attractions" during the more recent past also has been a cause for the apparent lack of interest in motion pictures currently being evidenced. Several units in the industry, moreover, have been particularly hard hit by their unwarranted expansion during the "boom era" with the result that they find themselves hard pressed to meet current financial requirements. Radio-Keith-Orpheum Corp. and Paramount Publix Corp. are outstanding examples. Although operating economies have been effected wherever possible, many of the theaters operated by these enterprises were acquired at prices, or leased at rentals, prevailing during the prosperous years of 1928 and 1929. In consequence of the heavy fixed charges thereby incurred the companies have been operating in the "red," and are now unable to obtain cash to meet current obligations. The recent appointment of receivers for both companies is therefore regarded in many quarters as desirable in order to preserve the assets of the companies. The stocks are currently being quoted at prices that amply discount existing conditions and near-term uncertainties and since little can be salvaged from your original investments in the shares, we see little to be gained by liquidation of your holdings. As regards the advisability of depositing your holdings with the protective committees we are inclined to suggest that you delay defi-

When Quick Service Is Required Send Us Prepaid a Telegram and Instruct Us to Reply Collect

nite action in this direction, pending further developments.

BROWN SHOE CO.

I have a profit in Brown Shoe common. I understand though that this company is selling its shoes today at lower prices than any time in the past 18 years and I am wondering if my profit and dividends are secure. With the information at your command, do you advise me to continue holding this stock, or should I take my profit and invest in something else?—E. E. K., Philadelphia, Pa.

Brown Shoe Co. is the third largest manufacturer in the industry, specializing in the production of medium and low-priced shoes for men, women and children. Largely as a result of operating economies and aided by increased demand for shoes during August and September which, incidentally, was better than seasonal, the company was able to report consolidated net income of $1,061,299 for the fiscal year ended October 31, last, equal to $3.34 a share on the common stock after allowing for dividend requirements on the 7% preferred stock. This compares with profits of $1,356,179 or $4.37 a share on a somewhat larger capitalization in the preceding year. During the past fiscal year, the company retired $275,000 par value of the 7% preferred stock, and 5,000 shares of the common stock were acquired for the treasury at a price reported below the net asset value. Despite these cash outlays, an exceptionally strong financial condition was revealed by the balance sheet dated October 31, 1932. Total current assets amounted to $12,552,000 or more than 12 times total current liabilities of $1,005,000. Cash and equivalent stood at $3,515,000 or more than $2,300,000 above that of a year earlier. Although substantial earnings recovery is not anticipated during the near future, the strong competitive position of Brown Shoe assures its full participation in eventual business revival. At this writing, the annual dividend rate of $3 a share appears reasonably secure, and we see little cause for disturbing your present position in the stock.

GENERAL RAILWAY SIGNAL CO.

I have 150 shares of General Railway Signal common bought in 50 share lots during the last two years at an average cost of 42. In view of its 1932 earnings being estimated as less than half those of 1931, and in view of the continued economies of the railroads, I will appreciate your advice as to whether I should continue to hold or sell this stock now when it is selling near the high for the year.—H. F. K., Albany, N. Y.

Earnings of the General Railway Signal Co. have been adversely affected by the reluctance of the railroads to purchase needed supplies and equipment manufactured by this company. Nevertheless, earnings have been relatively well maintained in comparison with other companies in the railroad equipment field. The company reported for the year ended December 31, 1932, net income of $634,665 equivalent after preferred dividends, to $1.55 on the common stock. This compared with net of $1,210,254 or $3.33 a common share in 1931. The financial position remains strong, total current assets, as of December 31, 1932, amounted to $5,563,459, of which cash alone totaled $1,847,550, as compared with total current liabilities of only $220,862. General Railway Signal has long been recognized as one of the leading manufacturers of railway signal and safety devices. Although earnings recovery of substantial proportion must await improved credit of the railroads, its replacement business in 1933 is likely to compare favorably with that of last year. The long term outlook for the company is decidedly promising, and we regard the shares as amply deflated at current levels and counsel maintenance of your present position.

NATIONAL DAIRY PRODUCTS CO.

In 1932 I bought 50 shares of National Dairy Products at about 27. This stock is selling close to its 1932 low. What is the trouble? Is this because of the reduction in milk prices? Do you look for any dividend reduction? Do you advise me to hold or should I sell and place my funds in something else?—H. L. S., Portland, Oregon.

The recent price weakness in the dairy stocks may be attributed to the rather disappointing showing indicated for those companies last year and to the rather restricted outlook during 1933. The industry is suffering from reduced consumer demand, coupled with an apparent increase in supply of fluid milk and cream. Furthermore, ice cream sales during the summer months of last year were adversely affected by unusually cool weather as well as curtailed purchasing power. As a result of the combination of these factors, sales of dairy products, with the exception of packaged cheese, have been sharply reduced with attendant lower profit margins. Thus it is believed that National Dairy Products Corp. earned approximately $2 a share in 1932 against $3.17 registered in the preceding year. The strong financial condition of the company is evidenced by the report that on December 21, last, it had on hand $25,000,000 in cash and sufficient funds to meet its sinking fund requirements for the next six months. However, in the light of further earnings declines in prospect during the current year, it would not be at all surprising to witness a reduction in dividend distributions on the common stock, although it is believed that the revision will not be drastic. On the other hand, longer term prospects of this enterprise are favorable, and since prevailing quotations for the shares discount existing uncertainties, we are inclined to counsel against sacrificing present speculative holdings.

DELAWARE & HUDSON CO.

Will you tell me how I, as a stockholder in Delaware & Hudson stand to benefit by this company's acquisition of a 10% stock interest in New York Central? My broker has advised me to add to my 100 shares of Delaware & Hudson bought in 1930 at around 135, but I will not act until I hear from you as the present status of the stock is not exactly clear to me.—T. K. L., Chicago, Ill.

The shares of Delaware & Hudson Co. offer interesting speculative possibilities and you might well take advantage of price weakness to add to your present holdings. An analysis of this company, with reference to the purchase of a 10% stock interest in New York Central R. R. appears on Page 482 of this issue. In the light of the questions contained in your recent communication, we believe that you will find this article of interest and pertinent to your present status as a stockholder of Delaware & Hudson.

VANADIUM CORP. OF AMERICA

I will appreciate any information you may give me regarding the financial and business position of the Vanadium Corp., of which I have 100 shares purchased at 37½. I have read some optimistic reports relative to the outlook for the automotive and railroad industries, and wonder whether this company is in a position to take advantage of any improvement that might be witnessed during 1933 in these fields. What is your advice on my stock? Shall I hold or sell?—T. K. M., Los Angeles, Calif.

Vanadium Corp. enjoys a virtual monopoly in the production and sale of vanadium throughout the world; its ore deposits, located in Colorado, Peru and South Africa are regarded as the largest and richest in the world. Vanadium is used primarily as an alloy

(Please turn to page 502)

New York Stock Exchange

RAILS

	1931 High	1931 Low	1932 High	1932 Low	1933 High	1933 Low	Last Sale 2/8/33	Div'd $ Per Share
A								
Atchison	202¾	79¼	94	17⅞	46½	39	43⅞	..
Atlantic Coast Line	120	25	44	9¾	23¾	17¼	21¾	..
B								
Baltimore & Ohio	87⅞	14	21⅝	3¾	11⅜	8⅝	11⅜	..
Bangor & Aroostock	66¾	18	35⅝	9½	26¾	20	25⅝	2
Brooklyn-Manhattan Transit	69⅝	31⅛	50¼	11⅛	31	25⅛	29⅝	..
C								
Canadian Pacific	45⅝	10⅜	20⅝	7¼	14⅝	10⅛	10½	..
Chesapeake & Ohio	46½	23⅜	31½	9⅝	30	26¼	29½	2½
C. M. & St. Paul & Pacific	8⅞	1⅛	4½	¾	2⅜	1⅜	1½	..
Chicago & Northwestern	45½	5	14½	2	6¼	3⅝	4⅞	..
Chicago, Rock Is. & Pacific	65½	7⅞	16⅜	1⅛	5⅝	3⅝	4½	..
D								
Delaware & Hudson	157⅛	64	92½	32	58¼	45	52	..
Delaware, Lack. & Western	109	17⅜	45⅞	8½	27⅜	20½	25¼	..
E								
Erie R. R.	39¾	5	11⅝	2	6½	5	5½	..
G								
Great Northern Pfd.	69¾	15⅝	25	5½	11⅜	7⅝	9⅞	..
H								
Hudson & Manhattan	44½	26¼	30¾	8	15¾	14⅝	†14¾	2½
I								
Illinois Central	89	9½	24⅞	4¾	14⅜	11¼	14¼	..
Interborough Rapid Transit	34	4⅝	14⅝	2¼	7½	4¼	5⅞	..
K								
Kansas City Southern	45	6⅝	15¼	2¼	10⅛	7¾	†9¼	..
L								
Lehigh Valley	61	8	29¼	5	14⅞	10½	13	..
Louisville & Nashville	111	20¼	38¼	7½	29¼	21¼	28⅝	..
M								
Mo. Kansas & Texas	26¾	3⅞	13	1¼	8⅜	5¾	8	..
Missouri Pacific	42¾	6⅝	11	1⅛	4⅜	2⅜	†2⅜	..
N								
New York Central	132¼	24⅞	36⅝	8¾	21½	16⅞	19½	..
N. Y., Chic. & St. Louis	88	2½	9¾	1⅛	3⅝	2⅛	†3¼	..
N. Y., N. H. & Hartford	94⅞	17	31⅝	6	17⅝	13	16	..
N. Y., Ontario & Western	13⅞	5¼	15¾	3⅝	11¾	7⅝	11¼	..
Norfolk & Western	217	105⅝	135	57	124½	114	123	8
Northern Pacific	60⅞	14½	25⅝	5½	17⅝	13	15¾	..
P								
Pennsylvania	64	416½	23⅝	6½	19¼	13¾	18½	.50
Pere Marquette	85	4	18	1¾	7	5¾	†5¾	..
R								
Reading	97½	30	52¼	9½	32⅝	24¼	†28¼	1
S								
St. Louis-San Fran.	63¾	9	6⅝	⅝	1½	⅞	1	..
Southern Pacific	109½	26½	37⅝	6½	19⅝	15	17¾	..
Southern Railway	65⅞	6⅝	18½	2½	6⅞	4⅞	6	..
U								
Union Pacific	205⅛	70⅛	94½	27⅝	77¾	69¾	74¼	6
W								
Western Maryland	19⅝	5	11⅜	1½	6⅞	5	6⅜	..
Western Pacific	14⅞	1¾	4¾	½	2	1¼	†1¼	..

INDUSTRIALS AND MISCELLANEOUS

	1931 High	1931 Low	1932 High	1932 Low	1933 High	1933 Low	Last Sale 2/8/33	Div'd $ Per Share
A								
Adams Express	23½	3⅛	9½	1⅝	5½	4	4¼	..
Air Reduction, Inc.	109⅝	47⅝	63½	30⅞	64½	56	58½	3
Alaska Juneau	20½	7	16⅝	7¾	13⅝	11⅛	12⅝	.60
Allegheny Corp.	12¾	1⅛	3⅝	⅜	1⅝	1	1¼	..
Allied Chemical & Dye	183¾	64	88¼	42½	89⅞	79½	83	6
Allis Chalmers Mfg.	42¾	10⅛	15⅝	4	9	6½	6⅝	..
Amer. Brake Shoe & Fdy.	38	13½	17⅞	6⅛	12	10	10	.60
American Can	129¾	58⅛	73⅞	29⅝	62¾	54	58	4
Amer. Car & Fdy.	38¾	4⅛	17	3⅛	8	6½	7	..
Amer. Com'l Alcohol	14½	5	27	11	22⅝	19	19⅝	..
American Ice	31⅝	10⅛	21⅝	3⅝	6½	4½	5	..
Amer. International Corp.	26	5	12	2½	8⅜	6⅝	7	..
Amer. Power & Light	64⅞	11⅝	17¼	3	9¼	5⅞	6⅞	..
Amer. Radiator & S. S.	21½	5	12¼	3⅛	7⅝	6	6¼	..
Amer. Rolling Mill	37⅝	7⅝	18½	3	10⅝	7⅝	8⅝	..
Amer. Smelting & Refining	58½	7⅛	27¼	5⅛	14⅝	11¾	13½	..
Amer. Steel Foundries	31¼	5	15⅛	3	7⅝	5⅜	5¾	..
Amer. Sugar Refining	60	34½	39¼	13	27½	21½	26½	2
Amer. Tel. & Tel.	201¾	112½	137⅝	70¼	109⅜	98½	101⅞	9
Amer. Tobacco Com.	128¾	60½	86⅜	40½	63¾	53½	53¾	5
Amer. Tob. B	132¾	64	89¾	44	65¾	55½	55⅝	5
Amer. Water Works & Elec.	80¾	23⅛	34½	11	19⅜	14⅛	15⅞	1
Amer. Woolen	11⅞	2⅝	10	1⅜	5⅝	4	4½	..
do Pfd.	40	15¼	39⅞	15½	26⅝	23½	24½	..
Anaconda Copper Mining	43¼	9¼	19⅝	3	8¾	6½	7½	..
Armour Ill. A	4½	¾	2⅝	⅝	1¾	1⅜	1⅛	..
do B	2⅞	⅛	2	⅜	1¼	⅞	⅞	..
Atlantic Refining	23⅝	8⅝	27⅞	8⅝	17¼	15¼	15½	1
Auburn Auto	295½	84½	151¾	28⅜	56½	40	43	4
Aviation Corp. Del.	6⅛	2	8⅞	1⅛	7⅜	5⅜	6⅛	..

Price Range of Active Stocks

INDUSTRIALS and MISCELLANEOUS (Continued)

	1931 High	1931 Low	1932 High	1932 Low	1933 High	1933 Low	Last Sale 2/3/33	Div'd $ Per Share
B								
Baldwin Loco. Works	27⅞	4⅝	12	2	6¼	4⅛	5⅛	..
Barnsdall Corp.	14⅛	4	7	3⅜	4¼	3⅜	3⅝	..
Beatrice Creamery	81	37	43½	10⅛	12	8⅛	8½	..
Bendix Aviation	25½	12⅝	18¾	4½	11½	8⅝	9	..
Best & Co.	46¼	19¾	24⅞	5¾	11⅛	9⅛	10⅜	..
Bethlehem Steel Corp.	70⅛	17¼	29⅝	7¼	16⅞	13⅜	14⅛	..
Bohn Aluminum	43	15½	22¼	4⅞	14¾	12½	13	..
Borden Company	76½	35⅛	43⅛	20	26⅝	19⅝	21⅞	1.60
Borg Warner	30¾	9	14⅛	3⅜	9¾	7¾	8⅛	..
Briggs Mfg.	22¾	7½	11¾	2⅞	5⅛	3¾	3⅞	..
Burroughs Adding Mach.	32¼	10	13¼	6¼	8¼	7⅜	7¾	.40
C								
California Packing	53	8	19	8	10¾	8⅝	9	..
Canada Dry Ginger Ale	45	10⅜	15	6	10⅜	8¾	8¾	1
Case, J. I.	131½	33¼	65¾	16¾	50	39⅜	43⅝	..
Caterpillar Tractor	52½	10¼	15	4⅜	9⅛	6½	6¾	..
Cerro de Pasco Copper	30⅛	9⅞	15½	3⅛	8⅝	5⅞	8	..
Chesapeake Corp.	54⅛	13⅞	20¾	4⅞	19⅛	14⅞	19¼	2
Chrysler Corp.	25¾	11¾	21¾	5	17¼	11⅛	12⅝	1
Coca-Cola Co.	170	97½	120	68½	81¼	73⅛	79½	7
Colgate-Palmolive-Peet	50½	24	31½	10¼	13	11	11¾	1
Columbian Carbon	111⅝	32	41⅞	13½	35¾	27¼	31½	2
Colum. Gas & Elec.	45⅝	11⅝	21	4¼	17¾	13¼	15⅛	1
Commercial Credit	23¼	8	11	3⅞	6	4⅜	5½	..
Comm. Inv. Trust	34	15½	27⅞	10⅞	25	18⅛	23¼	2
Commercial Solvents	21½	6⅝	13¾	3½	12¼	10	10¾	.60
Commonwealth & Southern	12	3	5⅛	1⅝	2⅞	2	2	..
Consolidated Gas of N. Y.	109⅝	57¼	68¾	31½	63¼	51	52⅞	4
Consol. Oil	15⅞	4⅛	9	4	5⅞	5⅛	5⅜	..
Continental Can, Inc.	62¾	30¼	41	17⅝	42½	38½	40½	2
Continental Insurance	51⅞	18⅛	25¼	6¾	17¼	14⅞	15¾	1.20
Continental Oil	12	5	9⅜	3⅝	6¼	5¼	5⅜	..
Corn Products Refining	86⅝	36¼	55⅜	24¾	56¾	52¼	54⅛	3
Crown Cork & Seal	38¼	13¾	23⅞	7⅞	19	14¾	15¼	..
Cudahy Packing	48⅞	29	35½	20	23½	21½	22½	2½
Curtiss Wright, Common	5⅞	1	3¼	⅞	2½	1⅝	1⅞	..
D								
Diamond Match	23	10⅝	19⅛	12	19¼	18¼	18⅞	1
Dome Mines	13½	6⅝	12⅞	7½	15¾	12⅛	14⅝	*1.30
Dominion Stores	24	11	18½	11¼	15⅝	14¼	14¾	1.20
Douglas Aircraft	21¼	7⅞	18⅝	5	13¾	10½	12⅝	.75
Drug, Inc.	78¾	42¾	57	23	38¼	33⅞	36¾	3
Du Pont de Nemours	107	50¾	59¾	22	41½	34⅛	37⅝	2
E								
Eastman Kodak Co.	185¾	77	87⅞	35¼	61⅜	54	57¾	3
Electric Auto Lite	74⅝	20	32¾	8½	20⅞	16⅞	17⅜	1.20
Elec. Power & Light	60¾	9	16	2¾	7⅞	5¼	5½	..
Elec. Storage Battery	66	23	33¼	12⅝	25½	23⅝	24	2
Endicott-Johnson Corp.	45⅜	23½	37¼	16	31	29⅛	29½	3
F								
Firestone Tire & Rubber	21½	12⅞	18⅞	10½	14⅜	11½	11½	1
First National Stores	63	41	54½	35	56	50⅝	51	2½
Fox Film Cl. A	38⅜	2½	5⅞	1	2⅛	1⅛	1⅛	..
Freeport Texas Co.	43¼	13¼	28⅝	10	26⅜	22¼	24	2
G								
General Amer. Tank Car	73⅛	28	35¾	9⅛	19⅜	16⅝	18⅛	1
General Baking	25⅝	9½	19⅝	10½	14⅛	13	14½	2
General G. & E. A.	8⅛	1¼	2¾	⅜	1½	1	1⅛	..
General Electric	54¾	22⅞	26⅛	8½	16⅝	12⅞	13⅞	.40
General Foods	56	28¼	40½	19⅝	27¾	22⅞	23½	2
General Mills	50	29⅛	48½	28	41½	38⅛	40¼	3
General Motors Corp.	48	21⅜	24⅝	7⅝	14⅞	12	13⅝	1
General Railway Signal	84⅛	21	28⅝	6⅛	20⅞	13¼	19⅞	1
General Refractories	57⅜	12	15¾	1¾	6⅛	3⅛	3⅛	..
Gillette Safety Razor	38¾	9¼	24¼	10⅜	20¼	15⅝	16¾	1
Gold Dust Corp.	42⅛	14½	20⅝	8¼	16⅞	14	14¼	1.20
Goodrich Co. (B. F.)	20⅞	3⅜	12⅜	2¼	6⅛	4	4⅜	..
Goodyear Tire & Rubber	52¾	13¾	29¾	5½	18¾	10⅝	12¾	..
Gulf States Steel	37½	4	21⅛	2½	12½	9	9¾	..
H								
Hershey Chocolate	103¾	68	83	43½	57¾	49¾	50¼	5
Houston Oil of Texas (New)	14	3	28¼	8¾	3¼	2½	2½	..
Hudson Motor Car	26	7¾	11¾	2⅞	5⅛	4⅛	4⅛	..
Hupp Motor Car	13⅛	3¾	5⅜	1½	3⅛	2¼	2⅜	..
I								
Ingersoll-Rand	182	25⅜	44⅞	14¾	31⅛	23	23¼	1½
Inter. Business Machines	179¾	92	117	52½	97½	87⅞	89½	6
Inter. Cement	62½	16	18¾	3⅝	9	8	8½	..
Inter. Harvester	60½	22⅜	34⅛	10⅜	25¼	19⅞	21	1.20
Inter. Nickel	20⅛	7	12½	3½	8½	7¼	8½	..
Inter. Tel. & Tel.	38¾	7⅛	15¾	2⅝	8⅛	5¾	6⅝	..
J								
Johns-Manville	80¾	15⅝	33⅜	10	23¾	18⅝	20	..
K								
Kennecott Copper	31½	9⅝	19¼	4⅞	10⅛	8¼	9⅜	..
Kresge (S. S.)	29⅝	15	19	6⅝	10¾	8⅜	8¾	1
Kroger Grocery & Baking	35½	12½	18⅞	10	18¼	16½	17¾	1
L								
Lambert Co.	87⅞	40⅛	56¾	25	34½	28⅛	29½	4
Lehman Corp.	69⅜	35	51⅞	30½	47¾	41¼	43	2.40
Liggett & Myers Tob. B	91¾	40	67¼	34⅛	63⅜	51¼	54½	*5
Liquid Carbonic	55⅛	13½	22	9	14⅞	11⅛	11¾	..
Loew's, Inc.	63½	23⅞	37¾	13¼	21⅛	15⅛	16¼	3
Lorillard	21⅞	10	18⅜	8	13⅛	11¼	11⅞	1.20

New York Stock Exchange Price Range of Active Stocks

INDUSTRIALS and MISCELLANEOUS (Continued)

	1931		1932		1933		Last Sale 2/8/33	Div'd $ Per Share
	High	Low	High	Low	High	Low		
M								
Mack Truck, Inc.	46⅞	19	38¾	10	20⅞	14½	15½	1
Macy (R. H.)	106¼	50	60½	17	35¾	26⅛	26¼	2
Marine Midland	24¼	9¼	14⅜	6½	11½	10	10	.80
May Dept. Stores	39	15⅝	20	9½	13½	11¾	13⅛	1
McKeesport Tin Plate	108½	38⅛	62¼	28	51⅞	44⅛	49¾	4
Mont. Ward & Co.	29¼	6⅝	16½	3½	15	12⅝	13¼	..
N								
Nash Motor Co.	40⅞	15	19⅜	8	15⅛	13¼	14¼	1
National Biscuit	83¾	36⅝	46⅞	20¼	41	35⅝	36	2.80
National Cash Register A	39¾	7⅛	18⅜	6¼	8⅞	7	7¼	..
National Dairy Prod.	50¾	20	31⅜	14⅜	18¼	13⅜	13¾	2
National Power & Light	44¼	10¼	20⅝	6⅝	15¼	11¾	12⅛	1
Nevada Consol. Copper	14¾	4¾	10¼	2½	5¼	4⅝	4⅝	..
North Amer. Aviation	11	2⅝	6⅝	1¼	7⅛	5⅛	5⅞	..
North American Co.	90¼	26	43¼	13¾	31½	23⅞	25⅝	§10%
O								
Ohio Oil	19½	5⅛	11	5	7⅛	5¾	5⅞	..
Otis Elevator	58½	16⅛	22½	9	13⅛	10½	10⅞	1
Otis Steel	16⅜	3⅛	9¼	1¼	4⅜	3	3⅜	..
Owens Ill. Glass	39¾	30	42¼	12	37	33½	35	2
P								
Pacific Gas & Electric	54⅞	29⅝	37	16⅞	31¼	27⅝	28⅛	2
Pacific Lighting	69½	35	47½	20¾	43⅜	35½	36	3
Packard Motor Car	11⅞	3⅞	5¼	1½	2⅞	2⅛	2¼	..
Paramount Publix	50¼	5⅛	11½	1⅛	2⅝	⅜	⅞	..
Penney (J. C.)	44¾	26¾	34½	13	27¾	24¼	25¾	1.60
Peoples Gas—Chic.	250	107	121	39	78	57	59½	5
Phelps Dodge Corp.	25⅝	5⅞	11⅝	3⅞	5½	4⅛	5⅜	..
Phillips Petroleum	16⅝	4	8⅛	2	6	4¾	5⅜	..
Procter & Gamble	71¼	36⅝	42¾	19⅞	29½	23	24¼	1½
Public Service of N. J.	96½	49⅛	60	28	55¼	47¼	49	3.20
Pullman, Inc.	58½	15¼	28	10½	23¾	18½	22	3
Pure Oil	11⅞	3¼	6½	2⅞	3⅞	3⅛	3⅛	..
Purity Bakeries	55¼	10¾	15⅞	4⅜	10	7	7½	1
R								
Radio Corp of America	27½	5⅛	13½	2½	6	4	4¼	..
Radio-Keith-Orpheum	4	2¾	7¾	1⅛	3⅝	1¼	1¼	..
Remington-Rand	19¾	1⅞	7½	1	4	3⅛	3½	..
Republic Steel	25¾	4⅛	13⅞	1⅞	7¼	5⅝	6	..
Reynolds (R. J.) Tob. Cl. B	54½	32½	40¼	26½	33⅝	26½	28¾	3
Royal Dutch	42⅝	13	28¾	12⅛	21⅝	19¼	20	..
S								
Safeway Stores	69½	38⅝	59¼	30½	42⅝	38⅝	38¾	3
Sears, Roebuck & Co.	63¼	30¼	37⅞	9⅞	22⅛	17⅝	18⅛	..
Seaboard Oil—Del.	20¾	5⅛	20⅝	6⅝	20¼	15	16	*.50
Servel, Inc.	11¾	3½	5⅜	1½	2¼	1⅛	1⅝	..
Shattuck (F. G.)	29½	8¼	12¾	5	10	7¾	7¾	.50
Shell Union Oil	10¼	2½	8¾	2½	5⅝	4	4⅞	..
Simmons Co.	23¾	6⅞	13⅜	2¾	8¼	6¼	6¾	..
Socony-Vacuum Corp.	21	8⅜	12¼	5¼	7⅞	6¼	6¾	.40
So. Cal. Edison	54½	28⅝	39¾	15¾	28	24½	25	2
Standard Brands	20½	10½	17⅞	8⅜	15⅝	14⅛	15⅛	1
Standard Gas & Elec. Co.	88⅜	25¼	34¼	7⅝	15¾	10⅜	10⅞	1.20
Standard Oil of Calif.	51¾	23⅝	31⅞	15⅛	26	23	24⅛	2
Standard Oil of N. J.	52½	26	37⅞	19⅞	31⅜	24¾	25¾	1
Stewart-Warner Speedometer	21⅞	4¾	8½	1⅞	3¾	3⅛	3¼	..
Stone & Webster	54½	9⅞	17⅜	4⅝	10⅝	7½	8⅛	..
Studebaker Corp.	26	9	13¾	2½	5¼	3½	3¾	..
T								
Texas Corp.	36¼	9⅞	18¼	9¼	14⅛	12¼	12¾	1
Texas Gulf Sulphur	55¾	19½	26¾	12	25	23	23½	2
Texas Pac. Land Tr.	17⅝	4¼	8½	2½	5⅛	4¾	5	..
Tide Water Assoc. Oil	9	2⅛	5⅝	2	3½	3⅛	3¼	..
Timken Roller Bearing	59	16½	23	7¾	16¾	14¼	15½	1
Transamerica Corp.	18	2	7⅛	2⅛	6	4¾	4⅞	..
Tri-Continental Corp.	11¾	2	5⅛	1⅛	4¼	3⅜	3⅞	..
U								
Underwood-Elliott-Fisher	75¾	19⅝	24⅝	7⅝	14	10¼	10½	.50
Union Carbide & Carbon	72	27⅛	36⅜	15½	28⅜	24⅛	24½	1.20
Union Oil of Cal.	26⅝	11	15⅜	8	11⅝	9¾	10	1
United Aircraft & Trans.	38⅞	9⅞	34⅜	6⅛	28¾	22⅜	24⅛	..
United Carbon	28¾	6⅛	18	6⅝	15	12⅛	14¼	..
United Corp.	31¼	7½	14	3½	10⅛	7½	7⅞	.40
United Corp. Pfd.	52½	26⅛	39⅜	20	37⅞	33¾	36	3
United Fruit	67¾	17½	32⅝	10¼	30⅝	23¼	29	2
United Gas Imp.	37½	15⅝	22	9¼	20⅜	17⅞	18½	1.20
U. S. Industrial Alcohol	77¾	20⅝	36¼	13¼	27¼	18¼	19	..
U. S. Pipe & Fdy.	37½	10	18⅛	7¼	10⅝	8	8⅛	.50
U. S. Realty	36¾	5⅛	11¾	2	5⅛	3⅛	4	..
U. S. Rubber	20⅜	3½	10¼	1¼	5¾	3¾	4	..
U. S. Smelting, Ref. & Mining	25¾	12⅜	22¾	10	18⅞	13½	18¼	1
U. S. Steel Corp.	152⅜	36	52⅝	21¼	32	26	27⅜	..
U. S. Steel Pfd.	150	94	113	51½	66⅞	55¼	58⅞	2
Util. Power & Lt. A	31	7⅞	10⅜	1⅛	4⅛	2⅞	3	..
V								
Vanadium Corp.	76¾	11	23¾	5¼	14¼	11⅛	11½	..
W								
Warner Brothers Pictures	20⅜	2⅛	4½	½	2¼	1⅛	1¼	..
Western Union Tel.	150¾	38½	50	12⅜	31	21½	23¼	..
Westinghouse Air Brake	36½	11	18⅛	9¼	14⅝	11⅜	14⅛	1
Westinghouse Elec. & Mfg.	107¾	22½	43½	15⅝	31⅜	26	27⅜	..
Woolworth Co. (F. W.)	72¾	35	45⅝	22	37⅞	31¼	32⅝	2.40

† Bid Price. § Payable in stock. * Including extras. ‡ Old stock.

Readers' Forum

(Continued from page 492)

to subsidies to your tourist industry to be 'earmarked' for the benefit of American travellers. There are already several hundred thousand Americans who go abroad each year. You will advertise to them and to the rest of us. You will tell in your advertising how this arrangement makes it possible for Americans to travel in your countries at extremely low cost, how you have arranged with your government-owned and government-subsidized railways and steamships to lower their rates for Americans, with your hotels and resorts to lower their charges, and your theatres and shops the same."

Only the other day the newspapers in New York carried a report that the French government is to spend a million dollars during the next three years in advertising France to the American tourist. That is an indication of the size of this business of tourism. The above plan should be brought to the attention of France and the others. Through our joint efforts the volume of American tourist travel to Europe will be built up. We will make it possible for Europe in large measure to "save face." It will offer Europe an honorable way out. It will get around the transfer problem to a very important degree. Europe will pay us in francs, in sterling, in lire. Our government will sell tourist letters of credit here, for U. S. money, thus getting its payment in gold. The tourist will get all the benefits of the cheap travel facilities Europe will offer him. He will take his tourist letter of credit to the agencies of the various foreign central banks concerned and receive therefor local currency at a rate of exchange to be fixed beforehand by agreement. Everyone will benefit.

It is possible that Europe will raise some objection to the plan, calling our attention to the fact that Europe's present serious transfer problem has come into being despite the already huge American tourist expenditures. Take away $181,000,000 we are now annually paying Europe for services to our tourists, and matter will be worse than at present. But to this objection we have an answer. Our plan would make allowance for what Europe is already receiving from our tourists. We would calculate such expenditures for 1932, and then apply any *excess* tourist expenditures to the debts. The whole idea is based on *increasing* the travel and expenditures of Americans in the seventeen debtor countries. Americans who might otherwise go to some different country to spend their vacation, would, because of the special inducements, travel to the debtor countries. Those who would go there anyway, might stay longer, or at any rate spend more money on their tour. Thirdly, many Americans who have never been abroad would be induced to go, for travel would be made cheap and easy.

Apart from the direct advantages mentioned, there is an important secondary advantage to this plan. International good will and understanding will be promoted. Americans, from their first-hand contacts with Europeans, will have a better conception of the problems with which the Continent is faced. But, best of all we would be offering Europe an honest way out of a good part of the debt problem.

Why Did D. & H. Buy Into N. Y. Central?

(Continued from page 482)

imburse them to a great extent for the dividend on their own shares that was cut off the very day that the New York Central purchase was made public officially. But, "you can't eat your cake and keep it." If Mr. Loree were to sell in advance of consolidation negotiations being renewed he would have parted with the valuable "pawn" that he bought against that very time.

Either he must sell at a large profit or wait for the resumption of dividends on New York Central stock if he is to get a monetary return on his "investment" for D. & H. stockholders. Unless railroad earnings do not pick up materially, it would seem that a substantial appreciation in the market price of New York Central is certain.

It is not logical to assume that Mr. Loree with his aggressive personality, does not intend to have a voice in the management of the railroad into whose stock he has placed $10,000,000 of D. & H. shareholders' money to foster this comeback. The best information is to the effect that for himself he will seek only membership on the board and executive committee. It is regarded as by no means certain that he will secure I. C. C. approval for either position. That body has been increasingly opposed to directors of one railroad serving on the board of another, whether competing or only connecting. The D. & H. and New York Central are both. Moreover, Mr. Loree has not been in favor with the I. C. C. for many years.

Much depends on the decision of that body. Certain it is that his influ-

ence cannot be anything like as great if he is not permitted to put his feet under the table at the meetings of the board and executive committee. No one could begin to take his place, no matter how fully he might be clothed with authority.

What Mr. Loree hopes to do with respect to consolidation as a result of his New York Central purchase no one pretends to know at this early date. It should be borne in mind that in the allocation of the principal roads, under the most recently approved plan, the I. C. C. left the D. & H. as an independent property. Thereby hangs the tale of the New York Central purchase. Whatever Mr. Loree attempts, will not, by any means, be his first effort in railroad consolidation. The minutes of the board of managers of the D. & H. show that as far back as May 15,1929, a resolution was adopted in which the opinion was expressed that general railroad consolidation was sure to come, with government approval, and that consequently the D. & H. should take the necessary steps to protect itself by the purchase of the shares of other roads. Such authority was given to Mr. Loree, in consultation with the executive committee.

In pursuance of this policy, control of Buffalo, Rochester & Pittsburgh was bought for merger with D. & H. This undertaking was opposed by other eastern roads and turned down twice by the I. C. C. Later the stock was sold to the Van Sweringens and traded by them to B. & O. Subsequently large blocks of Lehigh Valley and Wabash were bought for a fifth system in the East, of which D. & H. was to be the head. This scheme was likewise strongly opposed by the other eastern lines, first favored and then opposed by the I. C. C. The result was abandonment of the plan and sale of the stock of the two roads to Pennsylvania, a transaction that brought some $63,000,000 into the D. & H. treasury. With this tidy little sum the man who had been opposed by all his eastern competitors has ridden serenely over the stormy seas of the depression, lending millions of money and continuing dividends on D. & H. stock, when they were struggling with big deficits and short-term loans.

And then to cap the climax, with a part of the balance of the millions obtained from Pennsylvania he bought 500,000 shares of the stock of its chief competitor. Could anything be more dramatic?

What is going to come of the New York Central purchase? No one can tell. Most of the facts have been briefly and bluntly stated. The purchase was made with the knowledge of the House of Morgan, the First National Bank of New York, New York Central bankers, and President Williamson of that company, and without the disapproval of Kuhn Loeb & Co., D. & H. and Loree bankers. The buying of the 500,000 shares both steadied and advanced the market for New York Central stock. It has met with popular approval. D. & H. furnishes the northern end of a direct line for the New York Central from New York to Montreal. Mr. Loree will doubtless do all in his power to help New York Central to get more traffic and in every way to strengthen its position for the ultimate advantage of D. & H.

Answers to Inquiries

(Continued from page 497)

for steel, with the result that operations of the company depend almost entirely upon the activity of the steel industry. When consideration is given to the fact that that industry averaged approximately 20% of capacity, during the year, the loss incurred from operations by Vanadium Corp. in 1932 doubtless was considerably larger than that of the preceding year, when a deficit of $1,096,721 was reported. Furthermore, return of profitable operations must await materially increased activity in such industries as the automobile, railroad and high speed tool; important consumers of vanadium steel alloys. The mines of the company have been closed since the early part of 1931 and present demands are being met from inventories with the result that as time progresses, a more liquid position will be assumed. Despite restricted near-term earnings outlook, the company is in a favorable position to participate in eventual industrial recovery. At present, its shares must be regarded as a speculation, but if you are not averse to assuming a corresponding degree of risk, maintenance of your holdings is advocated.

COLGATE-PALMOLIVE-PEET CO.

I will appreciate your advising me whether to continue holding 200 shares of Colgate-Palmolive-Peet Co., I bought last year at an average price of 27⅞. I am at a loss to understand its poor earnings in that period, particularly as I understand that it effected substantial operating economies. How is the financial condition of the company? Are you advising to hold or sell the common at this time?—E. M. R., Newark, N. J.

The Colgate-Palmolive-Peet Co. conducts an international business in cleansing agents, dentrifices, talcum powders, shaving creams and other soap products; all marketed under well-known trade-names. The latest earnings available are for the six months ended June 30, 1932, when 13 cents a share was earned on the common stock as compared with $1.69 a share for the corresponding period of 1931. These results are largely attributable to the decreased selling prices for its products, with a resultant narrowing of profit margins, together with losses incurred through rebates to dealers. It is believed that these losses will be largely avoided in the future. The company is pursuing a program of plant rehabilitation in order to further reduce cost, and to take advantage of present low prices of machinery and equipment. The balance sheet as of June 30, 1932, revealed a strong financial condition, with total current assets of $39,931,000 against current liabilities of $5,978,000. Although this strong financial position would indicate that the present dividend on the common stock could be maintained, future distributions will be largely dependent on earnings. Nevertheless, the common stock offers interesting potentialities for eventual price appreciation and retention of present holdings is advised.

AMERICAN SUGAR REFINING CO.

I own 125 shares of American Sugar Refining common stock I bought three years ago at almost twice today's quotations, and which pays me about 4% at the present dividend rate. Will you let me know what you think of this stock? Do you believe its financial and business position warrant continuance of the current dividend rate? Do you advise holding or selling this stock?—E. J. T., Boston, Mass.

The sugar industry has long been conducting its operations under conditions which are far from satisfactory. Under the circumstances, the showing of the American Sugar Refining Co. has been highly commendable. This company recently retired $4,000,000 principal amount of its 6% bonds, thus leaving only about $3,500,000 outstanding. For a company having total assets of more than $130,000,000 the small amount of funded debt now outstanding tends to further strengthen the position of the preferred and common shares. Although full year 1932 results are not yet available, it has been unofficially estimated that earnings amounted to approximately $1.70 per common share as compared with actual earnings of $3.17 a share in 1931. This unfavorable earnings trend, moreover, is not likely to be checked in the near future, since large shipments of sugar are now coming into the market from the insular possessions. Nevertheless, the company maintains a dominant position in its industry, and is in a position to participate fully in any im-

New York Curb Exchange

IMPORTANT ISSUES

Quotations as of Recent Date

Name and Dividend	1933 Price Range High	Low	Recent Price
Alum. Co. of Amer.	54¼	43¼	46
Alum. Co. of Amer. Pfd. (3)	44	40¼	40⅛
Amer. Cit. P. & L. A (3)	30¼	27	29⅛
Amer. Cyanamid B	4⅞	4	4⅛
Amer. & For. Pr. war	5⅝	4	4⅛
Amer. Gas & Elec. (1)	33⅛	25⅝	26⅞
Amer. Lt. & Tr. (2)	19⅛	16¾	17⅞
Amer. Superpower	5⅛	3⅛	3⅝
Assoc. Gas Elec. "A"	2⅝	1⅞	1⅞
Babcock & Wilcox (2)	27	25	26⅛
Carnation Co.	7½	6⅛	6⅜
Cities Service	3¼	2¼	2⅛
Cities Service Pfd.	17½	13⅛	13⅛
Cleve. El. Ill. Pfd. (6)	110	108¼	109⅝
Commonwealth Edison (5)	82⅝	69½	72
Consol. Gas Balt. (3.60)	65	58	61⅛
Cord Corp.	7⅛	5⅜	6
Deere & Co.	10½	7⅞	8¼
Elec. Bond & Share (6% stk.)	21⅞	14⅝	15⅝
Elec. Bond & Share Pfd. (6)	43⅜	37	38
Elec. Pr. Assoc. A (.40)	4⅛	3⅛	3⅛
Ford Motor, Can. A	7	5⅞	6
Ford Motor, Ltd.	3½	3	3⅛
General Aviation	5	2⅞	4⅝
Goldman Sachs T.	3⅝	2¾	2⅞
Great A. & P. Tea N. Y. (7)	155	141⅛	142
Gulf Oil of Pa.	29¼	26	26½
Hudson Bay M. & S.	3⅝	2⅝	3⅛
Humble Oil (2)	45	43¼	43¾
Inter. Petrol (1)	10⅞	8⅞	9⅝
Mont. Ward—A	61	53	55¾
Nat. Bellas Hess	1¼	¾	⅞
Nat. P. & L. Pfd. (6)	69	56½	56½
Niagara Hudson Pwr. (1)	16⅜	12	12¼
Penroad Corp.	1⅞	1⅜	1½
St. Regis Paper	3⅝	2½	2⅝
Salt Creek Prod. (1)	4½	3⅝	3⅞
Singer Mfg. (8)	102	95	98½
Standard Oil of Ind. (1)	22⅛	20	20¾
Stutz Motor Car	17⅝	13	13⅞
Swift & Co.	8⅝	7½	8
Teck Hughes (.60)	4¼	3⅜	4
United Founders	1⅛	1⅛	1⅛
United Gas Corp.	2¼	1½	1½
United Lt. & Pow. A	4⅝	3¼	3⅜

provement which may come about. Although the present annual dividend of $2 per share on the common stock cannot be regarded as entirely secure, any reduction in this rate is likely to be of moderate proportions. Hence, we see no need to disturb present holdings if you are willing to disregard intermediary market fluctuations.

What's Behind the Plant Account?

(*Continued from page* 474)

ner; and both of them have a number of efficient plants in various parts of the country. However, the volume of dollar sales produced by their plants differed a great deal, as graphically shown, and for various reasons. Diversification of its class of production enabled General Electric Co. to keep its sales-plant ratio very stable whereas the manufacture and sales of a single article created a wide sweep in General Motors Corp. sales output because the automotive industry grew very rapidly after the war and then stabilized. Fixed capital continued to increase for a while after the peak of dollar sales was passed and when sales declined, the effect on the sales-plant ratio was extreme.

General Electric Co. increased its floor space only 10 per cent in the last decade but in the same time additions to plant aggregated nearly 135 million dollars. Since the company was formed, $327,225,297 has been expended on its own plants (end of 1931) and $128,921,335 was retired by sale dismantled or otherwise disposed of, leaving the cost of its present plants $199,129,733. The policy of this corporation is to dispose of buildings and equipment which are no longer efficient and have become uneconomical, and in recent years it has consolidated the manufacture of related products in one place, provided additional capacity, and replaced worn-out and obsolete equipment.

Corporations that have adjusted, or can adjust their methods to relatively low volume of output so that their costs are low, too, will survive to become prosperous once more. This implies a re-valuation of the physical assets, as well as providing manufacturing methods in harmony with a more restricted output than such plants were originally equipped to produce. In the long run, a number of mass production units may become economical again but there is grave danger that industrial organizations equipped to produce certain classes of goods may suffer the same fate as our railroads and for the same reasons, too,—only large volume would compensate for the low price of unfinished or semi-finished goods.

Although financial management now assumes more importance than production management, it is not enough to accept capital write-downs and lower charges for depreciation as the solution for the problems faced by industrial enterprises. The average investor is now sufficiently familiar with the pressure of economic factors on a business and as the consequences of the past management of depreciation reserves and surplus become apparent to future investors, more attention will be devoted to the technological factors, which affect the ability to recover and to remain profitable afterwards.

Uncle Sam in the Power Business

(*Continued from page* 475)

with private initiative in this field?

While these are questions for the longer future, the project has a psychological aspect of current significance to the utility industry. In general it appears to confirm previous fears of a somewhat inimical attitude on the part of the new Administration to the utilities. A strong drift toward Federal regulation, similar to that imposed upon the railroads, had already been indicated. This could apply only to corporations in interstate operations and to many operating companies was not a serious threat.

One of the stated objectives of the Roosevelt plan, however, is that public production and distribution of power shall serve both by example, and by actual competitive force to bring about a lowering of rates and thus to act as a powerful weapon of regulation. We thus would have a double policy under which the Federal Government would set itself up in the power business with the advantages of tax-exemption and low-cost Treasury financing, while at the same time exercising its collateral power to regulate the private competitors engaged in interstate business in the same field.

Admittedly, present utility rates in many sections are probably subject to some justified deflation, regardless of whether or not this would seriously impair earnings available for junior securities. While a large total of fixed charges is irreducible, other operating costs, including wages and cost of materials, have come down substantially, even though these savings do not sufficiently offset the aggregate decline in gross volume to maintain a satisfactory level of net profits. Moreover, cost of property reproduction has, as a result of the depression, ceased to occupy its former place in supporting utility rates.

Regardless of politics, therefore, present economic conditions tend plainly to exert a depressing force upon utility rates. This is already resulting in a few instances in voluntary reductions and will probably be followed by others if growing consumer agitation for forced reduction by regulatory agencies is to be appeased.

Finally, it has become apparent that because of fixed charges on funded debt the margin of earning power available

for junior securities, especially in the case of holding companies, is now being importantly curtailed by the persistent continuance of depression. The index of electric power production, adjusted for seasonal variation, has fallen to a new low of depression. In the aggregate the industry has reached a condition in which, because of the necessary provision of fixed charges, every loss of $1 in gross sales takes a substantially larger toll in net earnings than was the case a year or two ago.

It is such factors as these which undoubtedly account for much of the recent liquidation of various utility stocks, rather than more vague and distant political fears. A change for the better in the immediate situation, therefore, appears to await a general economic revival. Meanwhile there is no threat to the bonds of most operating companies nor to many senior bonds of the best holding companies. At the same time the trend of aggregate marginal earning power behind utility common stocks is for the present downward. Until it is reversed it imposes a serious pressure upon the existing common stock dividend rates of various companies, even among the strongest.

Accordingly, a re-examination and reconsideration of utility investment holdings at this time is advisable. Many common stocks should be retained only by investors who are both willing and financially able to face the possibility of further adjustments.

Bank, Insurance and Investment Trust Stocks

Quotations as of Recent Date

BANK AND TRUST COMPANIES	Bid	Asked
Bankers (3)	72⅞	74⅞
Brooklyn (10)	165	180
Central Hanover (7)	137	141
Chase (2)	33¼	35¼
Chemical (1.80)	42¾	44¾
City (2)	42⅞	44⅞
Corn Exchange (4)	73	76
Empire (1.60)	25½	27½
First National (100)	1480	1530
Guaranty (20)	351	356
Irving Trust (1.60)	23½	25½
Manhattan Co. (2)	29⅝	31⅝
Manufacturers (2)	30¼	32¼
New York (5)	100½	103½
Public (2)	28	30
United States Trust (70)	1750	1850
INSURANCE COMPANIES		
Aetna Fire (2)	29	31
Aetna Life	13¾	15¾
Carolina (.50)	10	12
Glens Falls (1.60)	23⅝	25⅝
Globe & Rutgers	43	63
Great American (1)	12⅞	14⅜
Hanover F. (1.60)	23¾	25¾
Hartford Fire (2)	40	42
Home (1)	15	16½
National Fire (2)	40	42
North River (.60)	10⅝	12⅝

INSURANCE COMPANIES—(Continued)	Bid	Asked
Stuyvesant	6	8
Travelers (22)	350	365
United States Fire (1.20)	19½	21½
Westchester F. (1)	14	16
SURETY AND MORTGAGE COMPANIES		
Bond & Mtg.	6¼	9¼
Lawyers Mortgage (.80)	5⅜	7⅜
National Surety	7	7¼
JOINT STOCK LAND BANKS		
Chicago	..	..
Dallas	1½	4
Des Moines	..	2
First Carolina	⅛	..
Lincoln	¼	1¼
Southern Minnesota	..	..
Virginia	.10	.20
INVESTMENT TRUST SHARES		
Amer. Founders Trust 7% Pfd.	11½	17½
Collateral Tr. Sh.—A	3⅜	3¾
Amer. & Gen. Sec. $3 Pfd.	27	35
Interl. Sec. Corp. of Amer., Pfd.	11½	18
Do Cum. Pfd.	12	18
No. Amer. Trust Shares	1.82	..
Second Intl. Securities A	¼	1½
Do 6% Pfd.	14	25
U. S. & British Internl. Pfd.	5	11
Uselps Voting Shares	8¼	8¾

Failure of Production Control Overshadows Oil Outlook

(*Continued from page* 483)

general revival of business activity and a recovery of public purchasing power. Meanwhile the fundamental problem of controlling production becomes no easier. New methods of locating and exploiting oil indefinitely postpone any reasonable probability of future shortage. Nothing could better illustrate this than the present attainment, through use of modern methods, of an increased yield from Pennsylvania wells first brought in fifty-six years ago.

The recent action of the Standard Oil Co. of New Jersey in curtailing dividend distributions may be simply a matter of individual corporate policy, but in view of the tremendous liquid resources of this leader of the industry it may well be wondered if its action does not necessarily reflect an informed and adverse opinion of the early outlook.

For the longer future, of course, the present unprofitable level of prices can be regarded as a remedial force, probably certain within time to bring another of the industry's upward cycles. Meanwhile, however, the position of the industry presents some important investment and speculative doubts. There is scant reason to fear the prospect for the senior securities of the dominant companies, although some may be moderately affected. Purchases of the industry's common stocks do not appear advisable at this time and existing investment and speculative commitments should be retained only by those who are both able and willing to face the possibility of further recession.

As Germany Revives—In Comes Hitler

(*Continued from page* 469)

unless a general improvement in international trade should come in time to offset it.

Militant fascism may develop incidents which could be fanned into an open rupture with Russia. Hitler's attainment of power has already raised the disturbing possibility of a bellicose European fascist league led by Germany and Italy.

Rationalization of industry continues in Germany and some of the results remind one of the prophecies of our Technocrats. Increased industrial efficiency is resulting, at the very time when Germany needs work for more than 5,000,000 people, in a considerable offsetting of the employment effects of increasing production. However, government work-making projects are expected to result in substantial employment gains during 1933, but such gains are not expected to afford permanent relief. Only a great growth of exports and subsequent revival of domestic business (now down to about 45 per cent of what at was in normal times) can restore Germany to her old prosperity or prevent another ebb.

Germany, barring the untoward results that may follow what may be called a political revolution, now in process, has made progress in the job of stabilization. In any normal course of events she will be a tower of strength for world recovery, but in a defensive rather than offensive way. Her prosperity is conditioned on over-seas developments. Her policy of restricting imports, necessary as it is, can not continue indefinitely, for imports are the complement of exports with debtor nations. Germany lives by her imports. She has tightened her belt and reduced her consumption. Thereby she has continued to exist, but she can not do that for long. She has given the world a magnificent example of a controlled economy by a capitalistic state and she has helped world business to survive by saving herself. She has helped clear the way for world recovery, but can not initiate it. That job remains chiefly for the United States—the nation, curiously, which above all others can eventually work out a prosperous future on a self-containment basis.

"Tips" on Books

Book Review Section of The Magazine of Wall Street

DIRECTORY OF DIRECTORS IN THE CITY OF NEW YORK

The Directory of Directors Co.

IN the housecleaning of depression younger men have been given a substantially more active part in the direction of corporate affairs. This is shown by the appearance of approximately 7,000 new names in the 1933 edition of the Directory of Directors in the City of New York, just issued by the Directory of Directors Co. The addition of new names, according to the company, is 15% higher than the normal turnover.

This book with the familiar red cover has appeared annually since 1898. It contains the names and addresses of nearly 40,000 directors and the companies with which they are affiliated; an interlocking directorate index in which the names of 17,000 New York corporations are given with mention of two or more directors; and an appendix of detailed information about banks, trust companies, security companies, insurance and guarantee companies, as well as information about their personnel.

Albert J. County, vice-president in charge of finance and corporate relations of the Pennsylvania Railroad, heads the list with a total of 121 directorates. Henry L. Doherty, of Cities Service, is second with 114. Many men hold from 20 to 100 directorates, but where the number is large it is usually accounted for by subsidiary or allied companies controlled by a large corporation.

Foreclosure or Adjustment?

(*Continued from page* 472)

to authorize the Reconstruction Finance Corporation to advance farm mortgagees as much as half a billion dollars. to stave off foreclosure and tax sales for two years, during which time the mortgaged farmers are supposed to be arranging their new, dirt-cheap 40-year loans

But whether the fixed debt burden is absorbed in part by public agencies or not, it must be scaled down before the business ship can ride on an even keel. It cannot sail steadily with an unbalanced cargo. The owners of the assets the mortgage debts represent cannot expect to escape their share of deflation. If they delay indefinitely deflation of the currency will probably be resorted to in an attempt to restore equilibrium by scaling up the other side of the equation.

Changing Market Trend?

(*Continued from page* 467)

year ago. Banking failures thus far this year have been confined chiefly to small institutions, involving a substantially smaller aggregate of deposit liabilities than in the corresponding part of 1932. Commercial failures during the month of January were smaller, both in number and liabilities, than in either 1932 or 1931. Bank clearings likewise show a moderate improvement.

MARKET STATISTICS

		Dow, Jones Avgs.		N. Y. Times 50 Stocks		
	40 Bonds	30 Indus.	20 Rails	High	Low	Sales
Monday, January 30	67.31	60.77	28.69	58.49	57.51	476,985
Tuesday, January 31	67.46	60.90	28.92	58.81	57.88	656,580
Wednesday, February 1	67.15	58.08	28.39	58.44	56.19	1,190,940
Thursday, February 2	66.75	58.03	27.67	56.26	54.62	1,252,370
Friday, February 3	66.45	58.11	28.16	55.73	54.30	906,761
Saturday, February 4	66.43	57.55	27.84	55.38	54.54	419,840
Monday, February 6	66.27	58.07	27.90	55.37	53.92	670,641
Tuesday, February 7	66.47	58.38	28.05	55.96	54.90	584,845
Wednesday, February 8	66.73	58.87	28.56	56.42	55.31	723,656
Thursday, February 9	67.31	60.09	29.47	57.90	56.56	1,080,323
Friday, February 10	67.36	59.11	29.49	57.41	56.20	724,541

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